

#8
1-18-02
PL



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Here application of:

ADAM MICHAEL FENNE

Serial No. **09/428,387**

Filed: **October 28, 1999**

For: **DYNAMIC INSERTION OF
TARGETED SPONSORED
VIDEO MESSAGES INTO
MULTIMEDIA INTERNET
BROADCASTS**

RECEIVED

JAN 02 2002

Group Art: Unknown **Technology Center 2600**

Examiner: Christopher Grant

**Revocation of Prior Power of Attorney,
Appointment of New Attorneys of Record and
Change of Correspondence Address**

Assistant Commissioner for Patents
Washington, D.C. 20231

Sir:

Pixelon.com, Inc. is the assignee of the entire right, title and interest in the above-identified application by virtue of the attached assignments and related papers evidencing transfer of ownership to Pixelon.com, Inc., submitted to the U.S. Patent and Trademark Office on December 28, 1999, November 6, 2001 and November 19, 2001, and Statement under 37 CFR § 3.73(b). The undersigned, having express authority to represent the assignee Pixelon.com, Inc., hereby revokes all powers of attorney heretofore given in the above-captioned application and appoints the attorneys listed below with full power of substitution, association, and revocation, to prosecute said application and to transact all business in the U.S. Patent and Trademark Office connected therewith. This appointment is in accordance with the provisions of 37 C.F.R. § 3.73(b).

Jason C. Abair, Reg. No. 44,007
Ethan B. Andelman, Reg. No. 48,997
Michael J. Bell, Reg. No. 39,604
Luisa Bigornia, Reg. No. 45,974
Andrew S. Brenc, Reg. No. 45,534
Celine T. Callahan, Reg. No. 34,301
Kevin Cheatham, Reg. No. 48,766
Jenny W. Chen, Reg. No. 44,604
Robin C. Chiang, Reg. No. 46,619
Chris Comuntzis, Reg. No. 31,097
Thomas E. Coverstone, Reg. No. 36,492
James F. Davis, Reg. No. 21,072
Thomas M. Dunham, Reg. No. 39,965
Panpan Gao, Reg. No. 43,626
Darren J. Gold, Reg. No. 47,599
Alan M. Grimaldi, Reg. No. 26,599
J. Jay Guiliano, Reg. No. 41,810
Albert P. Halluin, Reg. No. 25,227
Leslie L. Jacobs, Jr., Reg. No. 40,659
Joel D. Voelzke, Reg. No. 37,957

Derek J. Jardieu, Reg. No. 44,483
Christopher L. Kelley, Reg. No. 42,714
Brian S.Y. Kim, Reg. No. 41,114
Viola T. Kung, Reg. No. 41,131
Robert C. Laurenson, Reg. No. 34,206
Joseph P. Lavelle, Reg. No. 31,036
Don F. Livornese, Reg. No. 32,040
Christopher A. Mathews, Reg. No. 35,944
Matthew J. Moore, Reg. No. 42,012
Andrew Y. Piatnicia, Reg. No. 40,772
William C. Rooklidge, Reg. No. 31,791
Michael J. Stimson, Reg. No. 45,429
William K. West, Reg. No. 22,057
Justin A. White, Reg. No. P-48,883
Adam K. Whiting, Reg. No. 44,400
Jayna R. Whitt, Reg. No. 47,175
Karen K. Wong, Reg. No. 44,409
Wallace Wu, Reg. No. 45,380
Matthew S. Zises, Reg. No. 47,246

Please address future correspondence to

Joel D. Voelzke
HOWREY SIMON ARNOLD & WHITE, LLP
301 Ravenswood Avenue, Box No. 34
Menlo Park, CA 94025

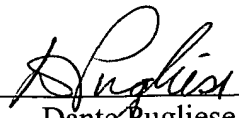
Direct Phone calls to Joel D. Voelzke at (949) 759-3955.

PIXELON.COM, INC.

Dated:

12/10/01

By:


Dante Pugliese
President



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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Technology Center 2600

In re application of:

ADAM MICHAEL FENNE

Serial No. **09/428,387**

Filed: **October 28, 1999**

For: **DYNAMIC INSERTION OF
TARGETED SPONSORED
VIDEO MESSAGES INTO
MULTIMEDIA INTERNET
BROADCASTS**

Group Art: Unknown

Examiner: Christopher Grant

Statement Under 37 CFR § 3.73(b)

Assistant Commissioner for Patents
Washington, D.C. 20231

Dear Sir:

Pixelon.com, Inc. is the assignee of the entire right, title, and interest in the above-identified application by the virtue of the assignments and related documents demonstrating transfer of title to the assignee, which are attached as exhibits hereto.

The chain of title from the inventor of the patent application to the current assignee is as follows:

1. **From:** David Kim Stanley aka Adam Michael Fenne **To:** Pixelon, Inc.
(by Assignment, attached as Exhibit 1. See also Exhibit 5, page 32)
2. **From:** Pixelon, Inc. **To:** Dante Pugliese
(by Bankruptcy Court order. See bankruptcy court documents attached as Exhibits 2-6)
3. **From:** Dante Pugliese **To:** Pixelon.com, Inc.
(by Assignment, attached as Exhibit 7)

A brief description of the Exhibits is given below for the convenience of the Office.

Exhibit 1: Assignment of the above-identified application from David Kim Stanley aka Adam Michael Fenne to Pixelon, Inc.

Exhibit 2: Notice of Motion to Confirm Sale of Intellectual Property, or in the Alternative, Authority to Sell Intellectual Property by Auction Pursuant to 11 U.S.C. §363(b)

Exhibit 3: Request for Judicial Notice in Support of the Trustee's Motion to Confirm Sale of Intellectual Property, or in the Alternative, Motion for Authority to Sell at Auction the Intellectual Property Pursuant to 11 U.S.C. §363(b) (Note especially page 16 ["Exhibit 1 Page 14"] individually listing the patent applications to be sold as part of the bankruptcy trustee's sale)

Exhibit 4: Order Granting Motion to Confirm Sale of Intellectual Property to Dante Pugliese

Exhibit 5: Debtor's Reply to David Kim Stanley aka Adam Michael Fenne, David Snyder, and Shelia Robertson's Objection to Motion for Authority to Obtain Secured Financing (Note especially the Assignment of Intellectual Property Rights Agreement beginning on page 32, transferring all interest in certain inventions from David Kim Stanley aka Adam Michael Fenne to Pixelon Inc.)

Exhibit 6: Recordation Form Cover Sheet, which was submitted for recordation on November 6, 2001 along with the documents that are attached as Exhibits 2-5 confirming the sale of intellectual property assets to Dante Pugliese

Exhibit 7: Assignment from Dante Pugliese to Pixelon.com, Inc., with Recordation Form Cover Sheet, as sent to PTO for recordation on November 19, 2001

Explanatory Narrative of Relevant Events Including the Bankruptcy Sale

Due to the unusual nature of the events affecting the chain of title of this patent application, the following explanatory narrative is provided to assist the Patent and Trademark Office in understanding those events.

The named inventor of the patents, Adam Michael Fenne, founded Pixelon, Inc. in 1998 and served as president and chairman of the board. During his tenure at Pixelon, Mr. Fenne applied for a number of patent applications. However, unbeknownst to Pixelon, Adam Michael Fenne was merely an alias. Adam Michael Fenne was actually David Kim Stanley ("Stanley/Fenne"), a fugitive from justice. As Pixelon, Inc. was later informed, "in 1989,

Stanley/Fenne pleaded guilty to over 50 counts of fraud and embezzlement in Virginia and Tennessee. Stanley/Fenne was ordered to pay restitution which reduced his lengthy prison sentence to eight years.” (Exhibit 5, page 4, lines 13-15). However, Stanley/Fenne fled in 1996 with only partial restitution paid. He was then placed on the Commonwealth of Virginia’s most-wanted list. Id. at lines 15-17.

It was after fleeing Virginia that Stanley/Fenne moved to California, assumed the name of Adam Michael Fenne, founded Pixelon, Inc., and developed certain innovations. Stanley/Fenne filed for a number of patent applications using the name Adam Michael Fenne, and assigned the inventions (see Exhibit 5, page 32) and subsequent patent applications (see Exhibit 1) to Pixelon, Inc. Stanley/Fenne’s true identity and background then came to light. On or about April 12, 2000, Stanley/Fenne surrendered to Virginia authorities. (See Exhibit 5, page 4, lines 10-21). Subsequently, Pixelon, Inc. went into involuntary Chapter 7 bankruptcy proceedings on April 24, 2000, which was later converted to a case under Chapter 11.

Pixelon, Inc.’s intellectual property was purchased at a bankruptcy auction sale by Dante Pugliese. Both Stanley/Fenne and one William Kelly challenged the validity of the sale. Exhibits 2 is the trustee’s motion to confirm the sale of the assets to Dante Pugliese. Exhibit 3 is an associated Request for Judicial Notice filed by the trustee in connection with the sale. The United States Bankruptcy Court for the Central District of California confirmed the sale to Dante Pugliese. In doing so, the court specifically rejected Stanley/Fenne’s and Kelley’s adverse claims to the intellectual property assets that were sold in the trustee’s sale. (See Exhibit 4, Order Granting Motion to Confirm Sale of Intellectual Property To Dante Pugliese). Thus, Dante Pugliese became by judicial order and declaration the assignee and sole owner of a number of patent applications, including the above-identified application. See Exhibit 3 which lists many of the assets sold, including the patent applications by serial number which are listed on page 16 [“Exhibit 1 Page 14”] of the Exhibit. The court stated in its order, “It is further ordered that the sale of the Trustee’s right, title and interest in the intellectual property described as the estate’s interest *in any and all intellectual property* including, but not limited to, computers containing the estate’s interest in its intellectual property relating to media compression and encoding, playback software, viewer response technology, enhanced microsoft streaming technology, and

individual streaming technology to *Dante Pugliese* for \$1,200 as is, where is, without representations or warranties is confirmed.” (Exhibit 4, page 2, lines 4-9).

Dante Pugliese then duly recorded in the United States Patent and Trademark Office his ownership of the intellectual property assets. Exhibit 6 is a copy of the Recordation Form Cover Sheet which, along with the documents that are attached as Exhibits 2-5, Dante Pugliese submitted for recordation on November 6, 2001, recording his ownership in the intellectual property assets.

Dante Pugliese is the President of Pixelon.com, Inc. Dante Pugliese assigned his rights in the above-identified patent application to Pixelon.com, Inc., which is now the assignee of the application. Pixelon.com, Inc. is a new entity, different from Pixelon, Inc. which was the original assignee from Stanley/Fenne. Pixelon.com, Inc. sent the assignment from Dante Pugliese to the PTO for recordation on November 19, 2001. (See Exhibit 7, Assignment to Pixelon.com, Inc. and Recordation Form Cover Sheet). Accordingly, all future correspondence regarding the above-identified application should be sent to the current assignee Pixelon.com, Inc.

The undersigned is informed that Stanley/Fenne has communicated with the PTO in an attempt to control these applications. Stanley/Fenne should not participate in the prosecution or receive further correspondence regarding the application. The termination of his rights to the intellectual property is evidenced above and in the court’s order stating, “[i]t is further ordered that the objections set forth in the opposition papers filed by William Kelly and David Kim Stanley are overruled.” (Exhibit 4, page 2, lines 2-3).

Certification

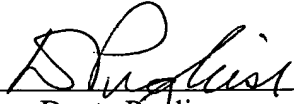
To the best of the undersigned's knowledge and belief, title of the patent application identified above is in the assignee identified above.

The undersigned (whose title is supplied below) is empowered to act on behalf of the assignee.

I hereby declare that all statements made herein of my own knowledge are true, and that all statements made on information and belief are believed to be true; and further, that these statements are made with the knowledge that willful false statements, and the like so made, are punishable by fine or imprisonment, or both under Section 1001, Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.

PIXELON.COM, INC.

Dated: 12/10/01

By: 
Dante Pugliese
President

Doc. #1726500



12-28-01

Howrey Docket No. 17954-15

GP/2611

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the application of:

ADAM MICHAEL FENNE

Appl. No.: 09/428,387

Filed: October 28, 1999

For: **DYNAMIC INSERTION OF
TARGETED SPONSORED VIDEO
MESSAGES INTO MULTIMEDIA
INTERNET BROADCAST**

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JAN 02 2002

Technology Center 2600

TRANSMITTAL

Respectfully submitted herewith is the Statement Under 37 CFR §3.73(b) with Exhibits and Revocation of Prior Power of Attorney, Appointment of New Attorneys of Record and Change of Correspondence Address.

The Commissioner is hereby authorized to charge any appropriate fees under 37 C.F.R. §3.81 that may be required by this paper, and to credit any overpayment, to Deposit Account No. 08-3038. This transmittal is submitted in duplicate

Respectfully submitted,

HOWREY SIMON ARNOLD & WHITE, LLP

Date: December 20, 2001

Joel Voelzke, Reg. No. 37,957

CERTIFICATE OF MAILING
(37 C.F.R. §1.8a)

I hereby certify that this paper (along with any referred to as being attached hereto) is being deposited with the United States Postal Service on the date shown below with sufficient postage as an Express Mail No. EL225649622US addressed to the Commissioner for Patents, Washington, D.C. 20231.

12-20-01

Date of Deposit

Mary Champion

Name of Person Mailing Paper

Signature of Person Mailing Paper

HOWREY SIMON ARNOLD & WHITE, LLP
301 Ravenswood Avenue, Box No. 34
Menlo Park, CA 94025
Fax No.: (858) 622-5199
Telephone No. (858) 622-5100

**Copy of Original Notarized and Recorded
Assignment from Stanley/Fenne
to Pixelon, Inc.**

Ser. No. 09/428,387

Attorney Docket No. 17954-15

ASSIGNMENT

WHEREAS, I, Adam Michael FENNE, the undersigned inventor (ASSIGNOR), have invented DYNAMIC INSERTION OF TARGETED SPONSORED VIDEO MESSAGES INTO MULTIMEDIA INTERNET BROADCASTS, for which I filed an application for letters patent of the United States, Serial No. 09/428,387, on October 28, 1999, and of which I am the sole owner of this invention and improvements; and

WHEREAS, Pixelon, Inc. (ASSIGNEE), a corporation organized and existing under the laws of California, having a place of business at 31726 Rancho Viejo Road, Suite 121, San Juan Capistrano, California, 92675, desires to acquire the entire right, title and interest in and to the inventions, applications and letters patent to be granted and issued for the inventions and applications;

NOW, THEREFORE, for and in consideration of the sum of One Dollar (\$1.00) by the ASSIGNEE to me paid, and other valuable consideration, the receipt and legal sufficiency of all of which I acknowledge, I, the ASSIGNOR, have sold and do hereby sell, assign, transfer and set over unto the ASSIGNEE, its successors and assigns, the entire right, title and interest:

in and to the inventions and all improvements thereon,

in and to the application for letters patent thereon,

in and to applications pertaining to or based upon the inventions and applications, including divisional and continuing applications and continuations-in-part,

in and to any and all letters patent which may be granted and issued on the inventions and applications, or any of them, not only for, to and in the United States of America, its territories and possessions, but for, to and in all foreign countries, together with and including all priority rights based upon any and all applications in the United States of America covered by this Assignment, and

in and to any right to sue for past infringement of the inventions, improvements, applications and letters patent.

And for the above-named considerations, I agree that I will, at the request of the ASSIGNEE, execute any and all applications for letters patent for the inventions and any and all other papers and documents and do all other and further lawful acts that the ASSIGNEE may deem necessary or desirable to obtain letters patent on the inventions, to secure the grant of such letters patent and to perfect and vest in the ASSIGNEE the entire right, title and interest in the inventions, applications and letters patent.

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Ser. No. 09/428,387

Attorney Docket No. 17954-15

And for the above-named considerations, I authorize and empower the ASSIGNEE, its successors and assigns, to apply for and obtain, in its or their own names, letters patent for the inventions before competent International Authorities including the World Intellectual Property Office and in any and all countries foreign to the United States in which applications for letters patent can be so made or letters patent so obtained.

Dated: 12/28/99 1999

Adam Michael FENNE
Name: Adam Michael FENNE
Address: c/o Pixelon, Inc.
31726 Rancho Viejo Road, Suite 121
San Juan Capistrano, California 92675

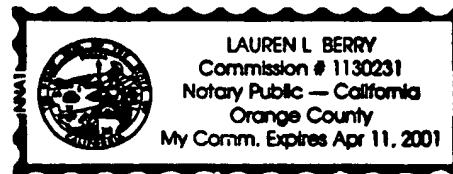
STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On Dec 28th, 1999 before Lauren L Berry personally appeared Adam Michael Fenne, ☐ personally known to me or ☒ proved to me on the basis of satisfactory evidence, to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Lauren L Berry
Notary Public

(SEAL)



Exhibits 2-4

Documents Confirming Bankruptcy Sale of
Intellectual Property Assets to Dante
Pugliese

COPY

FILED

JEFFREY B. GARDNER, Bar No. 115648
HYDEE J. MULICHAK, Bar No. 158779
JEANNIE W. LIM, Bar No. 201777
SAXON, BARRY, GARDNER & KINCANNON, A P.C.
4400 MacArthur Boulevard, Suite 700
Newport Beach, California 92660
Tel: (949) 851-9111 Fax: (949) 851-3935

Special Counsel for Steven M. Speier,
Chapter 7 Trustee

01 JUL 30 PM 3:27
CLERK U.S. BANKRUPTCY COURT
CALIFORNIA, S.D.

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re
PIXELON CORPORATION,
a California corporation,
Debtor.

CASE NO. SA00-13425-LR

Chapter 7

NOTICE OF MOTION TO CONFIRM SALE OF
INTELLECTUAL PROPERTY, OR IN THE
ALTERNATIVE, AUTHORITY TO SELL
INTELLECTUAL PROPERTY BY AUCTION
PURSUANT TO 11 U.S.C. §363(b)

Date: August 20, 2001
Time: 3:30 p.m.
Place: Courtroom 5D

PLEASE TAKE NOTICE that on August 20, 2001, at 3:30 p.m. in Courtroom 5D of the United States Bankruptcy Court, Central District of California, located at 411 W. 4th Street, Santa Ana, CA, before the Honorable Lynne Riddle, United States Bankruptcy Judge, Steven M. Speier, Chapter 7 Trustee of the above-mentioned Debtor, (hereinafter "Trustee"), will move and does hereby move this court for an order confirming the sale of the estate's right, title and interest in the intellectual property of the estate as is, where is, without warranties and representations, to Dante Pugliese for the sum of \$1,200 or in the alternative, authority to sell the estate's right, title and interest in the intellectual property as is, where is, without warranties and representations, by auction pursuant to 11 U.S.C. §363.

General Background Facts

This case was commenced by the filing of an involuntary Chapter 7 petition on April 24, 2000. Upon the Debtor's application and pursuant to Court order entered on July 10, 2000, the Debtor's bankruptcy case was converted to a case under Chapter 11. On or about December 13, 2000, Steven M. Speier was appointed as Chapter 11 Trustee.

ORIGINAL

1 Upon the Trustee's motion and by Order entered March 6, 2001, the
2 Court granted the Trustee's motion to convert the Chapter 11 case to
3 one under Chapter 7. On or about March 8, 2001, the Trustee was
4 appointed as Chapter 7 Trustee.

5 On or about May 3, 2001, the Trustee filed a Motion for Authority
6 to: (1) Sell at Auction Property of the Debtor's Estate Pursuant to 11
7 U.S.C. §363(b); and (2) Employ and compensate Auctioneer (Pope's
8 Antiques & Auctions, Inc.); Memorandum of Points and Authorities; and
9 Declarations of Steven M. Speier, Jack Pope and Julie McComb in
10 Support Thereof ("Motion to Sell"). The Court approved the Motion to
11 Sell by entered order on May 22, 2001 and the auction was held on May
12 26, 2001.

13 The Motion to Sell, served upon all creditors, sought to sell the
14 estate's right, title and interest in equipment, intellectual
15 property and video library as is, where is, without representations or
16 warranties, at auction which were sold in two lots. . The assets were
17 sold in two lots with the personal property being auctioned in Lot 1
18 and the intellectual property being auctioned in Lot 2.

19 The intellectual property to be auctioned consisted of the
20 estate's right, title and interest in any and all intellectual
21 property, as is, where is, without warranty or representation and
22 included, but was not limited to, computers containing the estate's
23 interest in its intellectual property relating to media compression
24 and encoding, playback software, viewer response technology, enhanced
25 microsoft streaming technology, and individual advertising technology
26 ("Intellectual Property"). The Debtor's former principal, David Kim
27 Stanley aka Michael Adam Fenne, has asserted an interest in the
28 Intellectual Property.

1 The auction of the Intellectual Property was advertised with the
2 Orange County Register, Los Angeles Times and Press Register from
3 approximately May 17, 2001 - May 26, 2001. At no time did the
4 auctioneer or any of the advertisements indicate that this auction
5 would be "without reserve".

6 Mr. Pope conducted the auction of the Debtor's assets as
7 specified in the Motion to Sell on May 26, 2001 at Pixelon
8 Corporation's former facilities located at 31732 Rancho Viejo Road,
9 Suite D., San Juan Capistrano, California.

10 The Trustee set a minimum bid for the purchase of the
11 intellectual property at \$5,000 which was announced at the auction to
12 all bidders. However, at the auction, the only bid received was from
13 William Kelly in the sum of \$200.00 which was immediately rejected by
14 the auctioneer. Mr. Pope proceeded to ask Mr. Kelly if he would bid
15 over \$200 if the Trustee removed the minimum bid amount. Mr. Kelly
16 informed him that he would not bid over \$200.

17 During the auction, Mr. Pope was approached by Dick Giglio and
18 Dante Pugliese who expressed interest in purchasing the Intellectual
19 Property if the minimum bid was eliminated. As a result, the Trustee
20 was contacted the next business day on May 29, 2001 to see if he would

1 waive the minimum bid. The Trustee indicated that \$200.00 was
2 insufficient as the purchase price for the Intellectual Property but
3 requested that the auctioneer inquire if anyone would pay a higher
4 amount for the Intellectual Property.

5 After various discussions with Mr. Pugliese, Mr. Giglio and Mr.
6 Kelly, the Trustee obtained a high offer of \$1,200 to purchase the
7 Intellectual Property.

8 Mr. Kelly claims that he has purchased the Intellectual Property
9 at the auction for \$200, when Mr. Pope had clearly stated at the
10 auction that his bid had been rejected. The Trustee did not accept
11 this bid by Mr. Kelly.

12 From the offers of Mr. Pugliese and Mr. Giglio, the Trustee was
13 able to obtain the highest price for the Intellectual Property from
14 Dante Pugliese in the sum of \$1,200. Mr. Pugliese paid \$1,200 to the
15 Trustee and currently has possession of the Intellectual Property.

16 Confirmation of Sale of Intellectual Property to Dante Pugliese

17 Generally, it is in the Trustee's opinion that the sale of the
18 Intellectual Property to Dante Pugliese for \$1,200, the highest bid
19 received, is based upon good business judgment and in the best
20 interest of the estate and should be confirmed by the court. There
21 are competing interests in the Intellectual Property which the Trustee
22 cannot ascertain, the Trustee is only selling his right, title and
23 interest in the Intellectual Property, as is, where is, without
24 warranty and representation, the highest bid received at public
25 auction was \$200 which was rejected, and the funds will be brought
26 into the estate for the benefit of the creditors.

27 Auction of Intellectual Property as an Alternative

28 In the event the court does not confirm the sale of the
Intellectual Property to Dante Pugliese, the Trustee requests this
court to authorize sale of the Intellectual Property at another
auction pursuant to 11 U.S.C. §363(b).

The Trustee further requests that the Court set a date and time
for the auction of the Intellectual Property within two weeks of the
date of the hearing of this Motion to Confirm, or thereafter as is
convenient to the court, to be held in this courtroom 5D, conducted by
Trustee's counsel.

The property to be auctioned consists of the same Intellectual
Property which was attempted to be sold at the auction held on May 26,
2001 which is described herein as the Intellectual Property, which is
the estate's right, title and interest in any and all Intellectual
Property, as is, where is, without warranty or representation and
includes, but is not limited to, computers containing the estate's
interest in its Intellectual Property relating to media compression
and encoding, playback software, viewer response technology, enhanced
microsoft streaming technology, and individual advertising technology.
The Debtor's former principal, David Kim Stanley aka Michael Adam
Fenne, has asserted an interest in the Intellectual Property.

1 The minimum bid for the auction for the Intellectual Property
2 will be set at \$1,200, which is the last highest offer received by the
3 Trustee from Mr. Pugliese. These sums have been paid and deposited in
4 the Trustee's trust account. Thereafter, the sale of the Intellectual
5 Property is subject to overbid in increments of \$500.00. Anyone
6 wishing to bid, with the exception of Mr. Pugliese, must present
7 certified funds in the amount of \$1,700 payable to Steven M. Speier,
8 Chapter 7 Trustee at the auction. In the event the Intellectual
9 Property is sold for more than \$1,700, the party purchasing the
10 Intellectual Property must submit to Trustee's counsel, the remaining
11 amount owing to the Trustee in certified funds within twenty four (24)
12 hours of the completion of the auction. In the event that the sums
13 are not paid within the twenty-four (24) hour period, the next highest
14 bidder will be declared the successful bidder. In the event there are
15 no overbids received by the Trustee, Mr. Pugliese shall be deemed the
16 successful bidder and the Intellectual Property shall be sold to Mr.
17 Pugliese for \$1,200 as is, where is, without representations or
18 warranties. In the event Mr. Pugliese is not the successful bidder,
19 the sum deposited by Mr. Pugliese of \$1,200 will be returned to him by
20 the Trustee.

21 Should an auction date be scheduled by the court, the Trustee
22 intends to serve a notice of the auction date to the United States
23 Trustee, Debtor, counsel for the Creditor's Committee, Dante Pugliese,
24 Robert Johnson, counsel for William Kelly and Michael Fenne, William
25 Kelly, Dick Giglio, and anyone else showing requesting written notice
26 of their interest in purchasing the Intellectual Property at the
27 auction.

28 For further information please see the **MOTION TO CONFIRM SALE OF
INTELLECTUAL PROPERTY, OR IN THE ALTERNATIVE, AUTHORITY TO SELL
INTELLECTUAL PROPERTY BY AUCTION PURSUANT TO 11 U.S.C. 363(b);
MEMORANDUM OF POINTS AND AUTHORITIES; DECLARATIONS OF STEVEN M. SPEIER
AND JACK POPE IN SUPPORT THEREOF** on file with the Clerk of the above-
entitled Court which may be reviewed Monday through Friday from 9:00
a.m. to 4:00 p.m.

PLEASE TAKE FURTHER NOTICE that pursuant to Local Bankruptcy Rule
9013-1(1)(g), objections, if any, to this Motion to Confirm must be in
writing, filed and served upon the Movant not later than 14 days prior
to the hearing on the Motion. Failure to timely file and serve
objections may be deemed a waiver of the same.

Dated: July 26, 2001

SAXON, BARRY, GARDNER & KINCANNON
A Professional Corporation

BY: 

Hydee J. Mulichak, Esq.
Attorneys for Steven M. Speier,
Chapter 7 Trustee

PROOF OF SERVICE

I am employed in the County of Orange, State of California. I am over the age of 18 and not a party to the within action; my business address is 4400 MacArthur Boulevard, Suite 700, Newport Beach, California 92660.

On July 27, 2001, I served the foregoing document described as NOTICE OF MOTION TO CONFIRM SALE OF INTELLECTUAL PROPERTY, OR IN THE ALTERNATIVE, AUTHORITY TO SELL INTELLECTUAL PROPERTY BY AUCTION PURSUANT TO 11 U.S.C. §363(b) on the interested parties in this action by placing a true copy thereof enclosed in a sealed envelope addressed as follows:

SEE ATTACHED SERVICE LIST

/X/ [BY MAIL] I am readily familiar with the firm's business practice of collection and processing correspondence for mailing. Under that practice, it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Newport Beach, California in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

/X/ [FEDERAL] I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Executed on July 27, 2001, at Newport Beach, California.


Barbara J. Domingo

In re Pixelon
SA00-13425-LR

SERVICE LIST

Interested Party

William G. Kelley
462 Nyes Place
Laguna Beach, CA 92651

Interested Party

Dick Giglio
Sales/Purchasing
Quadrasource, Inc.
420 W. Sixth Street
Tustin, CA 92780-4373

Interested Party

Officer, Director, of Member of
the Board
Passport Productions, Inc.
10520 Magnolia Blvd.
North Hollywood, CA 91601

Interested Party

Robert Grey Johnson, Jr.
30131 Town Center Drive
Suite 147
Laguna Niguel, CA 92677

Interested Party

Dan Pugliese
c/o Passport Productions, Inc.
10520 Magnolia Blvd.
North Hollywood, CA 91601

COPY

FILED

JEFFREY B. GARDNER, Bar No. 115648
HYDEE J. MULICHAK, Bar No. 158779
JEANNIE W. LIM, Bar No. 201777
SAXON, BARRY, GARDNER & KINCANNON
A Professional Corporation
4400 MacArthur Boulevard, Suite 700
Newport Beach, California 92660
Tel: (949) 851-9111 Fax: (949) 851-3935

01 JUL 30 PM 3:27

CLERK U.S. BANKRUPTCY COURT
CALIFORNIA, BY

Special Counsel for Steven M. Speier,
Chapter 7 Trustee

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA

In re

PIXELON CORPORATION,
a California corporation,

Debtor.

CASE NO. SA00-13425-LR

Chapter 7

REQUEST FOR JUDICIAL NOTICE IN
SUPPORT OF THE TRUSTEE'S MOTION
TO CONFIRM SALE OF INTELLECTUAL
PROPERTY, OR IN THE ALTERNATIVE,
MOTION FOR AUTHORITY TO SELL AT
AUCTION THE INTELLECTUAL
PROPERTY PURSUANT TO 11 U.S.C.
363(b)

Date: August 20, 2001

Time: 3:30 p.m.

Place: Courtroom 5D

TO THE HONORABLE LYNNE RIDDLE UNITED STATES BANKRUPTCY JUDGE:

PLEASE TAKE NOTICE that on August 20, 2001, at 3:30 p.m., in the
above-referenced courtroom, Steven M. Speier, Chapter 7 Trustee of
the above-mentioned Debtor, (hereinafter "Trustee") by and through
his counsel of record, will request the Court to take judicial notice
of the records, acts and proceedings before this Bankruptcy Court.

///

///

ORIGINAL

1 This request is based upon Federal Rule of Evidence 201. (See
2 also, Schweitzer v. Scott, 469 F.Supp. 1017, 1020 (C.D. Cal. 1979)
3 ("[T]he court is empowered to and does take judicial notice of court
4 files and records").

5 The Trustee's request includes, but is not limited to, the
6 following:

7 1. Motion for Authority to: (1) Sell at Auction Property of
8 the Debtor's Estate Pursuant to 11 U.S.C. §363(b); and (2) Employ and
9 compensate Auctioneer (Pope's Antiques & Auctions, Inc.); Memorandum
10 of Points and Authorities; and Declarations of Steven M. Speier, Jack
11 Pope and Julie McComb in Support Thereof ("Motion to Sell"). A true
12 and correct copy of the Motion to Sell is attached hereto as Exhibit
13 "1" and incorporated herein by this reference.

14 2. Notice of Hearing on Motion for Authority to" (1) Sell at
15 Auction Property of the Debtor's Estate Pursuant to 11 U.S.C.
16 §363(b); and (2) Employ and Compensate Auctioneer (Pope's Antiques &
17 Auctions, Inc.). A true and correct copy of the Notice is attached
18 hereto as Exhibit "2" and incorporated herein by this reference.

19 3. Order Authorizing Chapter 7 Trustee to: (1) Sell at Auction
20 Property of the Debtor's Estate Pursuant to 11 U.S.C. §363(b); and
21 (2) Employ and Compensate Auctioneer (Pope's Antiques & Auctions,
22 Inc.). A true and correct copy of the Order is attached hereto as
23 Exhibit "3" and incorporated herein by this reference.

24 Dated: July 26, 2001

SAXON, BARRY, GARDNER & KINCANNON
A Professional Corporation

25
26 By: 

Hydee J. Mulichak, Esq.
Attorneys for Steven M. Speier,
Chapter 7 Trustee

APR 8 5 2001

1 Thomas H. Casey - Bar No. 138264
2 LAW OFFICE OF THOMAS H. CASEY, INC.
3 A PROFESSIONAL CORPORATION
4 22342 Avenida Empresa, Suite 255
5 Rancho Santa Margarita, CA 92688
6 Telephone: (949) 766-8787
7 Facsimile: (949) 766-9896

8 Attorney for Steven M. Speier,
9 Chapter 7 Bankruptcy Trustee

10 UNITED STATES BANKRUPTCY COURT
11 CENTRAL DISTRICT OF CALIFORNIA
12 SANTA ANA DIVISION

13 In re

14 PIXELON CORPORATION,
15 a California corporation,

16 Debtor.

) Case No. SA 00-13425 LR

) Chapter 7

) MOTION FOR AUTHORITY TO:
) (1) SELL AT AUCTION PROPERTY OF
) THE DEBTOR'S ESTATE PURSUANT
) TO 11 U.S.C. § 363(b); AND (2) EMPLOY
) AND COMPENSATE AUCTIONEER
) (POPE'S ANTIQUES & AUCTIONS,
) INC.); MEMORANDUM OF POINTS
) AND AUTHORITIES; AND
) DECLARATIONS OF STEVEN M.
) SPEIER, JACK POPE AND JULIE
) McCOMB IN SUPPORT THEREOF

) Date: May 22, 2001

) Time: 10:00 a.m.

) Ctm: 5D

22
23 TO THE HONORABLE LYNNE RIDDLE, UNITED STATES BANKRUPTCY JUDGE:

24 Steven M. Speier, the Chapter 7 trustee ("Trustee") of the estate ("Estate") of Pixelon
25 Corporation ("Debtor"), requests an order for authority to (1) sell at public auction property of the
26 estate pursuant to 11 U.S.C. § 363(b), and (2) employ and compensate auctioneer ("Motion"). In
27 support of his Motion, the Trustee respectfully represents as follows:

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Exhibit 1

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Introduction

1. The Trustee proposes to sell personal property of the estate including the furniture, fixtures and equipment located on the Debtor's former premises and the Debtor's interest in certain intellectual property (collectively the "Property") by public auction, and to employ and compensate an auctioneering firm.

Background Information

2. This case was commenced by the filing of an involuntary Chapter 7 petition on April 24, 2000.

3. Upon the Debtor's application and pursuant to Court order entered on July 10, 2000, the Debtor's bankruptcy case was converted to a case under Chapter 11.

4. Steven M. Speier is the duly appointed, qualified and acting Chapter 11 Trustee.

5. Upon the Trustee's motion, and by Order entered March 6, 2001, the Court granted the Trustee's motion to convert the chapter 11 case to a case under chapter 7.

6. Steven M. Speier is the duly appointed, qualified and acting Chapter 7 Trustee..

7. Prior to the bankruptcy filing, the Debtor's business operations consisted of developing an Internet based video publishing company that uses proprietary patented technologies to achieve television quality video broadcasts over normal Internet connections. The Debtor's business revenues were derived from technology licensing fees and revenue sharing agreements sold to the entertainment industry.

Property To Be Auctioned.

8. The Trustee proposes to sell all of the Property at an auction sale to be conducted by Pope's Antiques & Auctions, Inc., the Trustee's proposed auctioneer. The auction is scheduled to be held on May 26, 2001 at the Debtor's business premises located at 31732 Rancho Viejo Road, Suite D, San Juan Capistrano, California..

9. The Property to be auctioned consists of but is not limited to the following:

a. The estate's interest in any and all intellectual property. Attached as Exhibit "1" to the Declaration of Steven M. Speier ("Speier Declaration") is a chart of the intellectual property in which the estate has an interest. The Debtor's interest in the intellectual

1 property specifically includes and is not limited to computers containing the estate's interest in its
2 intellectual property relating to media compression and encoding, playback software, viewer
3 response technology, enhanced microsoft streaming technology, and individual advertising
4 technology. The Debtor's former principal, David Kim Stanley aka Michael Adam Fenne, has
5 asserted an interest in the intellectual property. The Trustee is selling the estate's interest in the
6 intellectual property as is and where is and without representations and warranties.

7 b. The estate's interest in the video library located on the Debtor's former
8 premises including but not limited to videos of various artists performing at a concert hosted by the
9 Debtor on October 9, 1999. The Debtor's contract rights with the artists performing at the October
10 9, 1999, concert appear to have terminated pre-petition. The Trustee is selling the video library as
11 is and where is and without representation or warranty.

12 c. The estate's interest in all of the remaining personal property located
13 on the Debtor's former premises. Attached as Exhibit "2" to the Speier Declaration is a general list
14 of the remaining personal property on the Debtor's former premises. The Trustee is selling the
15 remaining personal property located on the Debtor's former premises as is and where is and without
16 representation or warranty.

17 10. Due in large part to the recent downturn affecting almost all high-tech companies, the
18 Trustee has been unable to complete a private sale of the Property. Moreover, the Trustee believes
19 that an auction sale is the most efficient and cost effective way to liquidate the Property.

20 Qualifications Of Proposed Auctioneer.

21 11. The Trustee has received a proposal from Pope's Auctions and Antiques, Inc., to
22 assist with the proposed auction sale of the estate's Property.

23 12. Pope's Antiques & Auctions, Inc. has substantial experience in providing auction and
24 appraisal services and is well qualified to conduct the proposed auction of the Property. Attached
25 as Exhibit "3" to the Declaration of Jack Pope ("Pope Declaration") of Pope's Antiques &
26 Auctions, Inc. is a copy of the résumé of Pope's Antiques & Auctions, Inc.

27 ///

28 ///

13. Pope's Antiques & Auctions, Inc. has on file a \$200,000 blanket bond in favor of the United States, as required by the United States Trustee's Supervisory Instruction #10. The original blanket bond is held by the Office of the United States Trustee.

Auctioneer's Marketing Efforts and Proposed Compensation

14. Pope's Auctions and Antiques will advertise the proposed auction in major newspapers in Orange County and Los Angeles County. A brochure advertising the auction of the Property will be forwarded to parties on established mailing lists and notice of the proposed auction will be forwarded to all creditors.

15. The Property may be previewed by prospective purchasers on May 25, 2001 from 10:00 a.m. to 5:00 p.m. at the Debtor's former premises known as 31732 Rancho Viejo Road, Suite D, San Juan Capistrano, California and by calling Pope's Auctions and Antiques at (760) 329 - 1077.

16. Depending on the interest received by prospective purchasers the Trustee reserves the right on the auction date to sell the Property as one unit in one sale or piece meal in multiple units.

17. In the event the Property is sold piece meal and in multiple units, the auctioneer will receive a commission of twenty percent (20%) percent of the gross proceeds at the time of the sale. In the event the Property is sold as one unit as one sale the auctioneer will receive a commission of fifteen (15%) of the gross proceeds at the time of sale. The proposed fifteen (15%) commission and the proposed twenty percent (20%) commission includes costs such as setting up, advertising, labor to allow potential bidders to preview the Property, and inventory management.

18. The proposed auctioneer will collect all gross proceeds from the sale and will pay all applicable sales taxes. After paying the sales taxes the proposed auctioneer will turnover the net proceeds to the Trustee within ten days after the auction. In compliance with Federal Rule of Bankruptcy Procedure 6004(4) and Local Bankruptcy Rule 2016 -1(1)(a) the proposed auctioneer will file a sold item and expense report with the Court and serve a copy of the Report on the U.S. Trustee and the Trustee prior to receiving final compensation. Following the filing and service of the Report and absent any objection to the Report by the Trustee, the Trustee will file a notice with the Court and serve it on the U.S. Trustee, the Debtor, the Debtor's counsel, the 20 largest unsecured creditors, and parties requesting special notice. The Notice will state that (1) the proposed

1 auctioneer's Report has been filed with the Court, (2) copies of the Report may be obtained from the
2 Trustee or the Court, and (3) if no objection to the auctioneer's fees and expenses is received by the
3 Trustee within 10 days of service of the Notice, the Trustee may pay the auctioneer's reasonable fees
4 and expenses without further notice or order of the Court. ("Payment Procedure").

5 19. The Trustee believes that the proposed employment of Pope's Auctions & Antiques,
6 Inc. is fair and reasonable and that the Trustee should be authorized to employ the firm on the terms
7 and conditions set forth above.

8 20. The Trustee is satisfied from the Declaration of Jack Pope that Pope's Auctions &
9 Antiques, Inc. is a disinterested person within the meaning of Bankruptcy Code Section 101(14).

10 WHEREFORE, the Trustee requests that the Court enter an Order:

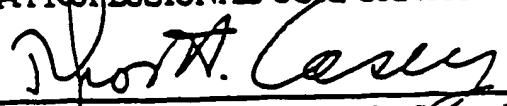
- 11 1. Granting the Motion;
- 12 2. Approving the proposed sale at auction of the Property as described above pursuant
13 to 11 U.S.C. § 363(b);
- 14 3. Approving the employment and compensation of Pope's Antiques & Auctions, Inc.
15 as auctioneer upon the terms as set forth above;
- 16 4. Approving the Payment Procedure described herein; and
- 17 5. For such other and further relief as the Court deems just and proper.

18 Respectfully submitted,

19 LAW OFFICE OF THOMAS H. CASEY, INC.
20 A PROFESSIONAL CORPORATION

21 Dated: April 25, 2001

22 By:

23 
24 Thomas H. Casey, Attorney for Steven M. Speier, in
25 his capacity as the Chapter 7 Trustee for the
26 bankruptcy estate of Pixelon Corporation
27
28

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I.

3 THE TRUSTEE MAY SELL THE DEBTOR'S ASSETS

4 PURSUANT TO 11 U.S.C. § 363(B)(1)

5 11 U.S.C. § 363(b)(1) provides that "[t]he trustee, after notice and hearing, may use, sell, or
6 lease, other than in the ordinary course of business, property of the estate."

7 As the Trustee proposes to sell Property of the estate including the furniture, fixtures and
8 equipment located on the Debtor's former premises and the Debtor's interest in certain intellectual
9 (collectively the "Property"), the sale is not in the ordinary course of business. With court approval,
10 the Trustee may sell the Property pursuant to 11 U.S.C. § 363(b)(1). There are no known liens
11 against the Property. (See Declaration of Julie McComb.)

12 II.

13 THE PROPOSED SALE IS IN THE BEST INTEREST OF THE ESTATE

14 The Trustee believes that the proposed public auction is in the best interest of the Estate and
15 will permit the value of the Property to be maximized as the auction will be extensively advertised.
16 The Trustee has received no offers to purchase the Property in bulk.

17 III.

18 EMPLOYMENT OF AUCTIONEER

19 The Trustee proposes to employ the auctioneering firm of Pope's Antiques & Auctions, Inc.
20 to provide advertising, cataloging, registration of bidders, auctioneering, checkout and collection
21 services for the sale of the Property. As set forth in the Declaration of Jack Pope, Pope's Antiques
22 & Auctions, Inc. is highly experienced, does not hold an interest adverse to the Estate, is not a
23 creditor of the Debtor, and no one employed by Pope's Antiques & Auctions, Inc. is related to the
24 bankruptcy judge in this case. (See attached Declaration of Jack Pope.)

25 The terms of Pope's Antiques & Auctions, Inc.'s proposed employment provides a
26 commission of twenty percent (20%) percent of the gross proceeds at the time of the sale if the
27 Property is sold piece meal and in individual units. If the Property is sold in bulk as one unit the
28 proposed auctioneer will receive a fifteen (15%) commission. The commission includes costs such

Exhibit 1

Page 8

1 as providing the pre-auction services of advertising, set-up, and preview, auction services of
2 conducting the auction and providing bills of sale to each buyer, post-auction services of supervising
3 the removal of purchased items during a check-out period to be provided for buyers, preparing an
4 itemized list of all items sold, and preparing an expense report.

5 IV.

6 CONCLUSION

7 In light of the foregoing, the Trustee respectfully requests that the Court enter an order.

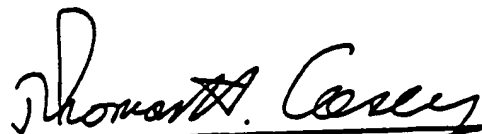
- 8 1. Granting the Motion;
- 9 2. Approving the proposed sale at auction of the Property as described above pursuant
10 to 11 U.S.C. § 363(b);
- 11 3. Approving the employment and compensation of Pope's Antiques & Auctions, Inc.
12 as auctioneer upon the terms as set forth above;
- 13 4. Approving the Payment Procedure described herein; and
- 14 5. For such other and further relief as the Court deems just and proper.

15 Respectfully submitted,

16 LAW OFFICE OF THOMAS H. CASEY, INC.
17 A PROFESSIONAL CORPORATION

18
19 Dated: April 26, 2001

20 By:

21 
22 Thomas H. Casey, Attorney for Steven M. Speier, in
23 his capacity as the Chapter 7 Trustee for the
24 bankruptcy estate of Pixelon Corporation
25
26
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28

DECLARATION OF STEVEN M. SPEIER

I, Steven M. Speier, declare:

1. I am the Chapter 7 Trustee for the estate of In re Pixelon Corporation ("Debtor"), Case Number SA 00-13425 LR, and I am competent to testify to the following on my own personal knowledge, information and belief. I am competent to testify to the following of my own personal knowledge, information and belief. I make this declaration in support of my the Motion for Authority to: (1) Sell at Auction Property of the Debtor's Estate Pursuant to 11 U.S.C. § 363(b), and (2) Employ Auctioneer (Pope's Antiques & Auctions, Inc.) ("Motion"). All terms as defined in the Motion are incorporated herein by this reference.

Background Information

2. This case was commenced by the filing of an involuntary Chapter 7 petition on April 24, 2000.

3. Upon the Debtor's application and pursuant to Court order entered on July 10, 2000, the Debtor's bankruptcy case was converted to a case under Chapter 11.

4. I am the duly appointed, qualified and acting Chapter 11 Trustee.

5. Upon the Trustee's motion, and by Order entered March 6, 2001, the Court granted the Trustee's motion to convert the chapter 11 case to a case under chapter 7.

6. I am the duly appointed, qualified and acting Chapter 7 Trustee.

7. Prior to the bankruptcy filing, the Debtor's business operations consisted of developing an Internet based video publishing company that uses proprietary patented technologies to achieve television quality video broadcasts over normal Internet connections. The Debtor's business revenues were derived from technology licensing fees and revenue sharing agreements sold to the entertainment industry.

Property To Be Auctioned.

8. I propose to sell all of the Property at an auction sale to be conducted by Pope's Antiques & Auctions, Inc., my proposed auctioneer. The auction is scheduled to be held on May 26, 2001 at the Debtor's business premises located at 31732 Rancho Viejo Road, Suite D, San Juan Capistrano, California.

Exhibit 1

Page 10

1 9. The Property to be auctioned consists of but is not limited to the following:

2 a. The estate's interest in any and all intellectual property. Attached as Exhibit
3 "1" and incorporated herein by this reference is a true and correct copy of a chart of the intellectual
4 property in which the estate has an interest. The Debtor's interest in the intellectual property
5 specifically includes and is not limited to computers containing the estate's interest in its intellectual
6 property relating to media compression and encoding, playback software, viewer response
7 technology, enhanced microsoft streaming technology, and individual advertising technology. The
8 Debtor's former principal, David Kim Stanley aka Michael Adam Fenne, has asserted an interest in
9 the intellectual property. I am selling the estate's interest in the intellectual property as is and where
10 is and without representations and warranties.

11 b. The estate's interest in the video library located on the Debtor's former
12 premises including but not limited to videos of various artists performing at a concert hosted by the
13 Debtor on October 9, 1999. The Debtor's contract rights with the artists performing at the October
14 9, 1999, concert appear to have terminated pre-petition. I am selling the video library as is and
15 where is and without representation or warranty.

16 c. The estate's interest in all of the remaining personal property located on the
17 Debtor's former premises. Attached as Exhibit-"2" and incorporated herein by this reference is a
18 true and correct copy of a general list of the remaining personal property on the Debtor's former
19 premises. I am selling the remaining personal property located on the Debtor's former premises as
20 is and where is and without representation or warranty.

21 10. Due in large part to the recent downturn affecting almost all high-tech companies, I
22 have been unable to complete a private sale of the Property. Moreover, I believe that an auction sale
23 is the most efficient and cost effective way to liquidate the Property.

24 Qualifications Of Proposed Auctioneer.

25 11. I have received a proposal from Pope's Auctions and Antiques, Inc., to assist with the
26 proposed auction sale of the estate's Property.

27 ///

28 ///

12. Pope's Antiques & Auctions, Inc. has substantial experience in providing auction and appraisal services and is well qualified to conduct the proposed auction of the Property.

Auctioneer's Marketing Efforts and Proposed Compensation

13. Pope's Auctions and Antiques will advertise the proposed auction in major newspapers in Orange County and Los Angeles County. A brochure advertising the auction of the Property will be forwarded to parties on established mailing lists and notice of the proposed auction will be forwarded to all creditors.

14. The Property may be previewed by prospective purchasers on May 25, 2001 from 10:00 a.m. to 5:00 p.m. at the Debtor's former premises known as 31732 Rancho Viejo Road, Suite D, San Juan Capistrano, California and by calling Pope's Auctions and Antiques at (760) 329 - 1077.

15. Depending on the interest received by prospective purchasers I reserve the right on the auction date to sell the Property as one unit in one sale or piece meal in multiple units.

16. In the event the Property is sold piece meal and in multiple units, the auctioneer will receive a commission of twenty percent (20%) percent of the gross proceeds at the time of the sale. In the event the Property is sold as one unit as one sale the auctioneer will receive a commission of fifteen (15%) of the gross proceeds at the time of sale. The proposed fifteen (15%) commission and the proposed twenty percent (20%) commission includes costs such as setting up, advertising, labor to allow potential bidders to preview the Property, and inventory management.

17. I believe that the proposed employment of Pope's Auctions & Antiques, Inc. is fair and reasonable and that I should be authorized to employ the firm on the terms and conditions set forth above.

18. I am satisfied from the Declaration of Jack Pope that Pope's Auctions & Antiques, Inc. is a disinterested person within the meaning of Bankruptcy Code Section 101(14).

I declare under the penalty of perjury under the laws of the United States of America, that the foregoing is true and correct.

Executed at Newport Beach, California on April 26, 2001.

/s/
Steven M. Speier

DECLARATION OF JACK POPE

I, Jack Pope, declare:

1. I am a duly licensed public auctioneer and the principal of Pope's Antiques & Auctions, Inc. (the "Firm"), with offices located at 19345 Indian Avenue, North Palm Springs, California 92258-0861; telephone (760) 329-1077; facsimile (760) 329-6057. I know each of the following facts to be true of my own personal knowledge and, if called as a witness, I could and would competently testify with respect thereto. I am submitting the instant declaration in support of the Motion for Authority to: (1) Sell at Auction Property of the Debtor's Estate Pursuant to 11 U.S.C. § 363(b), and (2) Employ Auctioneer (Pope's Antiques & Auctions, Inc.) ("Motion"). All terms as defined in the Motion are incorporated herein by this reference.

2. Pope's Antiques & Auctions, Inc. has had extensive experience in the matters to which it is to be engaged and is well qualified to conduct a public auction of the kind proposed by the Trustee in the foregoing Motion. Attached hereto as Exhibit "3" and incorporated herein by this reference is a copy of the Firm's résumé.

3. Neither I, nor Pope's Antiques & Auctions, Inc. has any connection with the Trustee, the Debtor, the Debtor's principals, attorneys or accountants.

4. Pope's Antiques & Auctions, Inc. and I are disinterested in the outcome of this case, except that we will exert our best efforts to ensure the highest and best return to the estate.

5. Neither Pope's Antiques & Auctions, Inc. nor any of the professionals comprising or employed by it has a pre-petition claim against the Debtor.

6. Specifically, neither Pope's Antiques & Auctions, Inc. nor any person associated with it are creditors, equity holders, or insiders of the Debtor.

7. Neither Pope's Antiques & Auctions, Inc. nor any of the professionals comprising or employed by it is or was, within two (2) years before the date of filing of the petition herein, a director, officer, or employee of the Debtor or any investment banker of any security of the Debtor.

8. Both Pope's Antiques & Auctions, Inc. and I are disinterested persons within the meaning of 11 U.S.C. § 101(14).

///

Exhibit 1

Page 13

9. I have read the Motion and I agree to and approve all of the terms and conditions described therein.

10. Pope's Antiques & Auctions, Inc. has on file a \$200,000 blanket bond in favor of the United States, as required by the United States Trustee's Supervisory Instruction #10. The original blanket bond is held by the Office of the United States Trustee.

11. If there are any oral or written modifications of the terms and conditions of the employment of Pope's Antiques & Auctions, Inc., said modifications will be disclosed to the Court and the United States Trustee by subsequent declaration.

12. I have advised the Trustee that we anticipate the auction of the Property to generate revenues of approximately \$100,000 plus. Attached hereto as Exhibit "2" and incorporated herein by this reference is a general list of the remaining personal property on the Debtor's former premises.

13. In the event the Property is sold piece meal and in multiple units, I will receive a commission of twenty percent (20%) percent of the gross proceeds at the time of the sale. In the event the Property is sold as one unit as one sale I will receive a commission of fifteen (15%) of the gross proceeds at the time of sale. The proposed fifteen (15%) commission and the proposed twenty percent (20%) commission includes costs such as setting up, advertising, labor to allow potential bidders to preview the Property, and inventory management.

14. As auctioneer I will collect all gross proceeds from the sale and will pay all applicable sales taxes. After paying the sales taxes I will turnover the net proceeds to the Trustee within ten days after the auction. In compliance with Federal Rule of Bankruptcy Procedure 6004(4) and Local Bankruptcy Rule 2016 -1(1)(a) I will file a sold item and expense report with the Court and serve a copy of the Report on the U.S. Trustee and the Trustee prior to receiving final compensation.

I declare under the penalty of perjury under the laws of the United States of America, that the foregoing is true and correct.

Executed at North Palm Springs, California on April 26, 2001.

Jack Pope

DECLARATION OF JULIE McCOMB

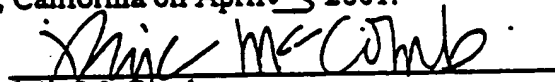
I, Julie McComb, declare:

1. I am a paralegal for the Law Office of Thomas H. Casey, Inc., attorney of record for Steven M. Speier, the Chapter 7 Trustee for the estate of In re Pixelon Corporation ("Debtor"), Case Number SA 00-13425 LR. I know each of the following facts to be true of my own personal knowledge and, if called as a witness, I could and would competently testify with respect thereto.

2. Attached hereto as Exhibit "4" is a true and correct copy of the documentation I obtained from Westlaw Online on January 17, 2001. I searched both California judgment liens and California UCC liens for Pixelon Corporation, the results of which indicate that there are no UCC or judgment liens recorded with the California Secretary of State against Pixelon Corporation.

I declare under the penalty of perjury under the laws of the United States of America, that the foregoing is true and correct.

Executed at Rancho Santa Margarita, California on April 26 2001.


Julie McComb

STATUS OF PIXELON'S PATENT APPLICATIONS
AS OF NOVEMBER 17, 1999

| OWD MATTER NO. | TITLE | SERIAL NO. | FILING DATE | ASSIGNMENT TO PIXELON FILED | STATUS |
|-------------------|---|---------------|----------------|--------------------------------|----------------------------|
| 17954-11 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS | 09/351,618 | July 12, 1999 | Yes | Waiting examination |
| 17954-12 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS | 09/351,028 | July 12, 1999 | Yes | Waiting examination |
| 17954-13 | INTERNET BROADCASTING SYSTEM UTILIZING CACHED AND ENCRYPTED MULTIMEDIA CONTENT | 09/428,413 | Oct. 28, 1999 | No | Declaration to be filed |
| 17954-14 | INSTANTANEOUS VIEWER RESPONSE SYSTEM AND METHOD FOR INTERNET BROADCASTING | 09/428,394 | Oct. 28, 1999 | No | Declaration to be filed |
| 17954-15 | DYNAMIC INSERTION OF TARGETED SPONSORED VIDEO MESSAGES INTO MULTIMEDIA INTERNET BROADCASTS | 09/428,387 | Oct. 28, 1999 | No | Declaration to be filed |
| 17954-19 | INTERNET BROADCAST SYSTEM | 09,429,363 | Oct. 28, 1999 | No | Declaration to be filed |
| 17954-21 | REVERSE SPECTRAL RESPONSE COMPENSATION OF A VIDEO SIGNAL | 09/428,392 | Oct. 28, 1999 | No | Declaration to be filed |
| 17954-22 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS | 09/428,395 | Oct. 28, 1999 | No | Declaration to be filed |
| 17954-23 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS | 09/428,396 | Oct. 28, 1999 | No | Declaration to be filed |

Pixelon, Inc.
Trademark data

| Owner | Description | Serial No. | Filing Date | Mark | Status |
|--------------|---|-----------------------|-------------|------------------------------|---|
| Pixelon Inc. | Video material processed specially for delivery over internet connections with copy protection. Int. Class: 038 & 041 | 75/653640 | 3/4/99 | Black Widow Media Protection | Ck#2077, dated 3/1/99 \$490.00 |
| Pixelon Inc. | Trademark embedded in software graphics or on labels. Int. Class: 038 & 041 | | 5/25/99 | BLN | Ck#2397, dated 5/25/99 \$490.00 |
| Pixelon Inc. | Trademark embedded in software graphics or on labels for info/commerce. Int. Class 038. | | 5/17/99 | CYBERTRAC | Ck#2373, dated 5/18/99 \$245.00 |
| Pixelon Inc. | Trademark embedded into software or in graphics. Int. Class 038. | 75/710242 & 75/710243 | 6/14/99 | Halo Ad | Fees paid \$245.00 |
| Pixelon Inc. | Trademark embedded into software or on labels. Int. Class 038 & 041. | 75/671039 | 3/29/99 | InterFirst Broadcast Network | Ck#2166, dated 3/25/99 \$490.00 |
| Pixelon Inc. | Trademark embedded into software graphics. Int. Class 038 & 041. | 75/672079 | 3/29/99 | Media Theater | Ck#2164, dated 3/24/99 \$490.00 |
| Pixelon Inc. | Video material processed for delivery over internet or internet circuits or on CD-ROM media. Int. Class 038 & 041. | 75/643068 | 2/1/99 | Pixelon.com | Ck#1309, dated 1/4/99 \$490.00 |
| Pixelon Inc. | Trademark embedded into software graphics or on labels. Int. Class 038. | 75/705244 | 6/7/99 | Pixelon SkyWire | \$245.00 paid by credit card over internet. |
| Pixelon Inc. | Video material processed specially for delivery over internet connections and computer CD ROMS. Int. Class 038 & 041. | 75/653635 | 3/4/99 | Send/Cast | Ck#2078, dated 3/1/99 \$490.00 |
| Pixelon Inc. | Trademark embedded into software graphics or on labels. Int. Class 038. | 75/705242 | 6/7/99 | SkyWire | |
| Pixelon Inc. | Trademark embedded into software or on labels. Int. Class 038 & 041. | 75/674358 | 4/5/99 | SOLOCAST | |
| Pixelon Inc. | Trademark embedded into software or on labels. Int. Class 038 & 041. | 75/684711 | 3/22/99 | TruVu | Ck#2134, dated 3/16/99 \$490.00 |

Pope's Antiques & Auctions, Inc.
19345 Indian Ave. P.O. Box 861
North Palm Springs, Ca. 92258-0861
Phone (760) 329-1077 Fax (760) 329-6057
Jack Pope st lic # A691
April 25, 2001

Steve Speier, Trustee
Re: Pixelon Corporation
Case # SA00-13425
Inventory listing:
Back store room:

- 34 glass windowed partitions
- 52 sections of partitions
- 3 wood arm chairs
- 2 off white executive office chairs
- 2 bookshelves
- 2 3 drawer small metal file cabinets
- 1 plastic bookshelf
- 1 gray desk
- 42 formica desk tops
- 4 folding tables
- 6 partition walls
- 1 Sharp Sf-8800 copier
- 5 metal 2 door storage cabinets
- 1 wood 2 door storage cabinet
- 13 computer keyboards
- 17 new computer keyboards
- 1 Xerox printer
- 18 revolving metal storage cabinets, with misc. hardware and cables
- 4 metal file cabinets
- 8 Altec Lansing 3pc. computer speaker system
- 1 Cisco 12600 series, Serial # 80004949-01
- 1 Cisco DIX firewall serial 1820540 Pix520
- 1 Mag XJ700T. 17" monitor
- 1 Sharp UX1070A fax machine
- 3 ADC Kentox Data Smart T3E3
- 2 Sun Microsystems Ultra 5 processors TW92432984, TW92432883
- 1 Sun Microsystems tape back up 835G1470
- 1 Sun Microsystems Ultra enterprise 2 software 818 FC9C7
- 1 Cisco 7200 series network processor 74014557

Exhibit 1

Page 18

EXHIBIT 2 PAGE 18

- 3 Sun Microsystems color monitors, model 4472
- 3 Sun Microsystems keyboards and mouse
- 1 Keytronic keyboard
- 1 Imac computer, keyboard, mouse, Super disk drive, and USB hub
- 1 HP fax machine SG67AM30WK
- 3 Panasonic video monitors
- 1 Sharp table top Z-76 copier

Back offices and hallway:

- 2 2 drawer metal files
- 2 3 drawer metal files
- 3 Black box Cos II , 99239826824, 99239826844, 99239826835
- 1 box 11 hard drives
- 1 Mag XJ500T monitor H080J8003363
- 2 keyboards
- 2 GST micro city computer processors
- 5 hard drives
- 2 Altec Lansing 3pc. speaker system
- 1 Mag 17" monitor XJ810

Rack #9:

- 1 JVC monitor 08488619
- 1 Video monitor CZR990751016
- 1 Axion model AX6145TM Processor, serial #592614575C00026
- 1 Axion model AX6145TM Processor, serial #592614575C00035
- 2 Matrox Digisuit line filters
- 1 Belkin omni cube 4 port video junction box
- 1 Shure FP42 stereo mixer
- 1 Grass Valley group junction box
- 1 Sony SVHS Hi Fi SVP5600, serial # 10406
- 1 Matrox Digisuite processor
- 1 Sony beta cam BBW65, serial # 759140
- 2 keyboards
- 3 mouse
- 2 GST 40XMTKP mid tower processors
- 1 UPS back up
- 1 NEC superscript 870 printer
- 1 Pentium II tower processor 81162761
- 9 GST mid tower processors
- 1 Mag X3700T monitor, keyboard, mouse
- 2 Altec Lansing 3pc. speaker system
- 2 GST mid tower processors C00000060

Exhibit 1

Page 19

EXHIBIT 2 PAGE 17

PHONE NO. : 17603291077

FROM : Pope's Auctions

Apr. 25 2001 04:31 PM

- 1 JVC monitor # 12430053 model TM1650SU
- 1 keyboard # J9840

Edit rack #2:

- 1 Snell and Wilcox Prefix CPP100 compression pre-processor #2910135
- 1 Snell and Wilcox IQ modulator #2910169
- 1 Mackie 1402VLZ Pro #BT27173 14 channel mic/line filter
- 1 3pc. Altec Lansing computer speaker set
- 1 Mag color monitor #HDD3J002667
- 1 set Sony MDR-7504 headphones
- 1 Axion processor #C00000036
- 1 Matrox Digisuit #G990163 20-012
- 1 Ziotech compact PCI development system encoder8 #201-299

Rack #2:

- 1 Sony SVHS SUP-5600 video cassette player #11552
- 1 Matrox Digisuite

Rack #1:

- 1 JVC monitor #12430095
- 1 Ziotech Compact PCI development system #201-301

Edit rack #1:

- 1 3pc. Altec Lansing speaker system
- 1 Techtronix SPG-170A NTSC sync generator #10918
- 1 Sony Component color corrector BUX-10
- 1 Grass Valley Group junction box
- 1 Mackie 1402VLZ Pro line mixer
- 1 Snell and Wilcox IQ modulator
- 1 Snell and Wilcox CPP100 compression preprocessor #2901243
- 1 Tektronix 1710B Wave form monitor B034073
- 1 Tektronix 1720 Video scope #B042160
- 1 Sony remote control unit BVR-58 #14087
- 2 Matrox digisuite
- 1 Axion processor
- 1 Imperatives video drive processor #C0000041
- 1 Ziotech Compact PCI encoder L9 #201-296

- 1 Mag XJ810 color monitor #MH9234000873
- 1 keyboard, mouse
- 1 Sony Trinitron monitor #2011053
- 1 small JVC monitor #10444709
- 1 Viewsonic G810 monitor #Q191179078

- 1 keyboard, mouse
- 1 Matrox encoder data switch
- 1 NEC Super Script 870 printer
- 1 3pc. Altec Lansing speaker system
- 3 trash cans
- 1 small plastic tool box with assorted tools
- 6 hanging black fluorescent light fixtures

Dark room:

- 1 Videssence model 521D base light #AA326143
- 1 Videssence cool light #AA331278
- 1 wood typewriter stand
- 3 Videssence model 521D base lights
- 1 Videssence model 521D base light #AA326706
- 1 set Sony headphones
- 1 Videssence Vista one #18184 control panel
- 1 JVC monitor 12430093
- 1 Sony SVHS video cassette player model SVP5600 #11314
- 1 3pc. Altec Lansing speaker system
- 1 keyboard, mouse
- 1 Mag XJ700T monitor #11073J7012294
- 1 GST mid tower processor #G99015856-001
- 1 Brass floor lamp
- 2 black leather office chairs
- 1 8 foot table

Pantry:

- 1 metal cart
- Panasonic microwave
- 1 Microwave stand
- 1 Fridgidair refridgerater
- 1 trash can
- 1 Mr. Coffee commercial coffee brewer
- 1 Kirkland Whirlpool dishwasher

Rack #6:

- 3 video drive processors C440GXT/ Cabrillo

Rack #7:

- 1 Sony VHS SVO-1410 video cassette recorder #0015456
- 2 Pro Image video drive processors #0891883

Rack #8: Empty

Exhibit 1

Page 21

EXHIBIT 2 PAGE 19

2 Visioneer paper port scanners
 26 keyboards
 2 3 drawer metal files
 3 trash cans full of assorted cables, mouses
 7 boxes cables, set of dishes, and video drives
 37 Rolm telephones in 3 boxes
 3 Lucent technologies 600B one unit high shelf splicing and storing
 3 Ortronics CAT5 comm circuit plug ins
 1 GI 40TV digital satellite reciever w/dish #Q2380783330134940101
 1 Cisco systems Fast hub 100T series #WSC1160C5000069
 1 Cableton hub stack SEHI-24 10 base T hub with Lanview,
 #07614080073010RH
 1 3Com model 3C588
 1 box of power supply cords
 6 trash cans
 3 single computer tables
 12 sections of cubicle partitions
 1 Mag color monitor
 1 Optiquess Q-41 monitor
 1 monitor
 6 Axion processors #I84614550C00023, #S92614575C00027,
 #S93614575C00058, #S91614575C00025, #S91614575C00027,
 #S93614575C00026
 1 trash can
 1 laser satellite dish
 2 computer desks with 3 drawer files
 1 computer desk
 7 processors, as is
 1 new Ziatech ZT5082 development system
 1 JVC TM-A1350 monitor 08484797
 1 NEC laserprinter #622814684C
 1 JVC TM-A135SU monitor 08484859
 1 Tascam 122MK III cassette player #970053
 1 cable and line splicer
 1 55 gal. trash can
 1 dolly
 5 dry erase boards
 1 metal door storage cabinet
 1 wood armoire 2 door
 1 Genz-Benz triniton speaker
 1 metal 2 door storage cabinet

Exhibit 1

Page 22

EXHIBIT 2 PAGE 21

PHONE NO. : 17623291077

FROM : Pope's Auctions

- 1 Net gear DS108 dual speed hub
- 1 Merlin Cerin back up power supply
- 1 Visioneer paperport MX scanner
- 1 keyboard

Editing room:

Rack #5:

- 1 JVC model TM1650SU video monitor, serial # 11430004
- 1 Sony SVO-9600 SVHS player, serial # 14431
- 1 Sony S1V778HF Hi Fi VCR, serial # 6208686
- 1 Sony SVO-1410 VHS VCR, serial # 0033066
- 1 Sony SUV560 SVHS, serial # 10399
- 1 Pioneer CLD201 laser disc player, MF3917441
- 1 Sony EV09800A Hi-8 Video recorder.

- 2 GST mid tower processor
- 1 Hitachi super scan elite T51 monitor and keyboard
- 2 3pc. Altec Lansing computer speakers
- 1 Inkjet Computer printer
- 1 Umax Astra 2400s scanner
- 1 GST mid tower processor
- 1 Hitachi Super scan elite 802 monitor
- 1 NEC Superscript 870 printer
- 1 JVC monitor TM1650SU, serial # 11430023
- 1 JVC monitor, serial # 11430029
- 2 Pro image 0899115
- 1 Matrox encoder
- 1 keyboard

Edit rack #6:

- 1 Mackie 1402VLZ Pro 14 channel mic/line mixer
- 1 BTS Beta cam BCB65 video cassette player
- 1 Axiom processor
- 1 Iomago external zip drive
- 1 Dynamic motion control

Edit rack #5:

- 1 Mackie 1402-VLZ Pro 14 channel mic/line mixer
- 1 Matrox Digisuit A214845
- 1 Sony SVHS SVP-5600 video cassette player 11093
- 3 Axiom processors

Exhibit 1

Page 23

EXHIBIT 2 PAGE 21

1 View sonic 19" monitor, keyboard, mouse

JT Rack:

1 Non linear Matrox edit #3 processor C00000039

2 metal book shelves

1 dry erase board

4 2pc. computer tables

2 single computer tables

8 office chairs

1 6 foot formica top table

4 3 drawer files

1 2 drawer file

1 Matrox encoder

1 JVC monitor 08484804

8 trash cans with assorted cables and headphones

Rack #3:

1 Grass Valley Group DA amp # 496558

1 Computer camera eye 59812002163

1 keyboard

1 3pc. Altec Lansing computer speakers

Edit rack #4:

1 Mag X3700T color monitor H073J7011284

1 keyboard Q991417193

1 multi task processor C440GXT\ Cabrillo C

1 Nestor 8FL #556014 multi task processor

Edit rack #3:

1 Snell and Wilcox Cudos processor

1 small JVC monitor #15343252 model TM9105U

1 Shure FP42 #73749810

1 Mag XJ700T monitor HD73J7012286

1 Keytronic keyboard #q9910211931, mouse

1 Ziotech compact PC1 development system encoder L12 #201298

1 Axion processor #S93614575C00008

1 Imperatives Matrox #0898899 video drive processor

1 Keytronics keyboard # Q98492623

1 mouse

1 small JVC monitor # 15343229 model TM-910SU

Exhibit 1

Page 24

EXHIBIT 2 PAGE 22

- 1 Caddy network XIX-8 control panel for security system w/6
- 2 Videssence lights
- 1 Intelliknight fire alarm system model # 15820XC
- 10 Rolm phones
- 2 Keri systems PXL-250 Tiger controllers
- 1 easel drawing board
- 20 sections of cubicle partitions
- 1 3 drawer file
- 1 executive office chairs
- 4 computer desks
- 1 black formica top table
- 1 step stool
- 5 black hanging lights
- 1 monitor
- 34 sections of cubicle partitions
- 3 8 foot metal racks with 3 attachable computer tables
- 1 large leading edge floor fan
- 3 computer desks
- 1 office chair
- 1 4 drawer lateral file
- 1 bucket, misc. cords and cables
- 2 trash cans
- 2 clip on desk lights
- 2 computer tables
- 1 3 drawer file
- 1 trash can
- 1 black pedestal
- 4 computer desks
- 1 2 drawer lateral file
- 1 cabinet on wheels
- 1 desk light
- 1 office chair
- 1 3 drawer file
- 4 battery wall clocks
- 2 cork boards

Conference room:

- 1 10 foot conference table
- 6 office chairs
- 1 blue chair
- 1 TV stand
- 1 lamp table
- 1 crystal lamp

Exhibit 1

Page 25

EXHIBIT 2 PAGE 23

- 1 floor fan
- 1 brass hat rack
- 1 GST processors
- 1 Gateway 2000 serial #MONO31001AAWW model # DL31-1 monitor
- 1 keyboard, mouse
- 1 framed picture
- 1 Panasonic command center I projector

Corner office:

- 1 white wash desk and return
- 1 white wash credenza with overhead bookshelf
- 1 brass table lamp
- 1 Olympus pearl coder T1000 micro cassette transcriber
- 1 trash can
- 1 trash can with paper shredder
- 1 NEC superscript 870 printer #61367744IC
- 1 3 pc. Altec Lansing speaker system
- 1 GST processor
- 1 Linkeys ethernet 10/100 auto-sensing 16 port hub
- 1 keyboard
- 1 computer monitor
- 2 office arm chairs
- 2 wood bookshelf
- 1 casel
- 1 crystal lamp

Hall and middle room:

- 10 live plants
- 1 6 foot table
- 1 wood bookshelf
- 1 battery wall clock
- 4 Rolm phones

Server room:

- 1 Rolm 9751 main supply
- 1 Rolm CBX monitor II
- 2 Kentrox ADC T-serve II
- 1 Rolm phone mail SP processor

Hall:

- 10 small framed prints
- 6 pcs. of cubicle partitions
- 1 computer desk

Exhibit 1

Page 28

EXHIBIT 2 PAGE 24

- 1 blue desk chair
- 1 trash can
- 1 4 drawer lateral file

Front Hall:

- 2 pxl-250 Tiger controllers magnetic system
- 1 cork board
- 2 trash cans
- 2 live plants
- 1 2 drawer lateral file
- 2 upholstered office chairs
- 1 executive office chair
- 1 wood bookshelf
- 1 6ft. wood desk
- 1 wood credenza
- 1 framed picture
- 2 trash cans
- 1 GBC Shred Master paper shredder
- 1 Nec Super Script 870 printer #613698327C
- 1 computer desk
- 1 Ascom Haster Smart Series postal meter (Leased)
- 1 Konica copy machine (Leased)
- 1 View Sonic G810 monitor #QI84659425
- 1 keyboard #G00000054
- 1 3pc. Altec speaker system
- 1 dry erase board
- 4 live plants
- 1 artificial tree
- 1 brass torchiere lamp
- 1 blue office chair
- 1 easel
- 1 trash can
- 1 framed "Jack Shultz" 1989 water color
- 1 Mag 770T monitor
- 1 Nec Laser Printer #61369831C
- 1 3dr. file
- 1 computer stand
- 1 paper cutter
- 1 office bar stool
- 1 5 dr. lateral file
- 1 5ft. metal table
- 1 3dr. metal file
- 1 Xerox table top copier work center 745

Exhibit 1

Page 27

EXHIBIT 2 PAGE 25

Server room:

- 3 Symmetra Power Arrays
- 1 Nortell-48V controll switch box for batteries
- 1 ADC Telecommunications
- 1 advanced Concepts ACI-2098
- 1 Northern Telecom NT7H38AC
- 1 Northern Telecom 5/dms Transport Node
- 2 Nortel MPR15 #NNTM161QXVDQNT5C06CB316
- #NNTM161QVG6NT5C06CB316
- 1 Nortel 50A low voltage disconnect
- 4 A R Telecom batteries
- 1 Cisco 7500 Series Router
- 1 ADC Kentrox Datasmart T3/E3IDSU
- 1 Cisco PIX Firewall series network security
- 1 Cisco 4000 series Router
- 1 Summit 48 #9929M-02479 switches
- 1 Summit RPS #9930F-03593
- 1 Cisco 2600 series Router
- 1 keyboard
- 1 GST processor #G9901874-001
- 9 Cabrillo
- 1 Mag 770T monitor HDP3J7004129
- 2 NSTOR 8LE computer system
- 4 NSTOR data storage units
- 3 Axion CPU systems
- 5 Anter electronics studio card multi track digital audio
- 1 monitor
- 1 keyboard
- 4 GST processors
- 1 Pentium processor
- 1 processor powered by Microsoft Windows NT server 40
- 3 Summit 48
- 1 Summit RPS
- 4 Ortronics server switch boards
- 6 Panasonic WV-5200B camera monitors
- 4 JVC video monitors
- 1 Sony SVHS video cassette recorder
- 2 GI 4DTV digital satellite reciever model DIR-657 Broadcast II
- 1 Chaparral Monterey 100C PLWS
- 1 Extron SW6ARMXHV
- 1 Grass valley group
- 1 ATL P3000 series
- 1 PXL-250 Tiger controller

Exhibit 1

Page 28

EXHIBIT 2 PAGE 26

- 1 2 drawer metal file
- 3 Belkin Omni view Pro 8 port
- 15 sections of cubicle partitions
- 1 NEC Superscript 870 printer #6136802260
- 1 GST processor
- 1 Mag 770T monitor #HDD3J7002540
- 1 keyboard
- 1 computer desk
- 3 executive office chairs
- 2 3pc. Altec Lansing speaker system
- 3 Rolm phones
- 1 framed Miller painting
- 4 trash cans
- 1 computer table
- 2 3 drawer metal files
- 9 4 drawer lateral file
- 1 Fellows paper shredder PS60CC
- 1 Guardian cross cut shredder
- 1 IBM 600E think pad lap top
- 2 computer desks
- 1 NEC Super Script 870 printer #613698330C
- 1 Mag 770T monitor #HDD3J7002591
- 1 keyboard
- 1 Casio FR-2650A adding machine
- 1 GST processor
- 1 GST processor
- 1 NEC Super Script 870 printer #622815960C
- 1 Viewsonic G810 monitor #Q191583041
- 1 keyboard
- 1 battery wall clock
- 6 cases new Rolm phones
- 10 new Videssence base lights
- 3 Cases of bulbs for base lights
- 1 Select fully automatic battery charger model #7067512
- 7 cases of Videssence light fixtures
- 14 boxes of new server chassis

Auction Value: 100,000.00 +

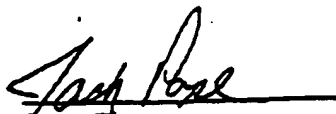

Jack Pope
Adjuster

Exhibit 1

Page 29

EXHIBIT 2 PAGE 27

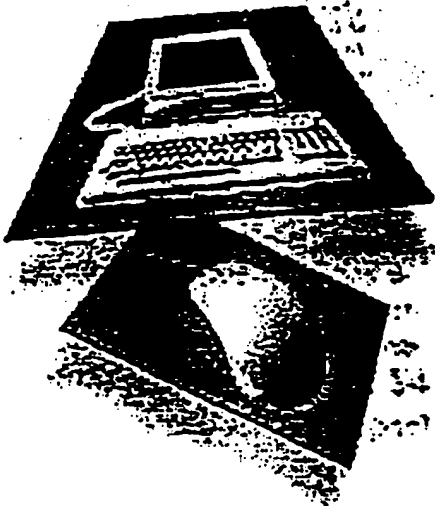
Pope's Auctions & Antiques
19345 Indian Ave. P.O. Box 861
North Palm Springs, Ca. 92258-0861
Phone (760) 329-1077 Fax (760) 329-6057
Jack Pope St Lic # A691

I Jack Pope am a resident of the State of California, and am over 18 years of age. I am a principal in Pope's Antiques & Auctions, Inc. I am the principal auctioneer and have been licensed as an auctioneer by the State of California since 1959. I have 38 years of business experience in the sale of personal property by both private sale and by auction. Pope's Auctions has provided auctioneering and appraisal services to numerous businesses. I provide such services to Trust Departments of several banks, insurance companies, local courts, and private clients. Pope's Auctions has also provided its services for fund raisers and celebrity events. Thus Pope's Auctions has organized auctions for Roy Rogers-Dale Evans "Happy Trails Children's Foundation", The Barbara Sinatra Children's foundation, The United Way, The City of Hope and The Boys & Girls Club.

I have been an auctioneer & appraiser for 38 years. I have owned and operated an auction, retail and appraisal business since 1959. I have been employed as an appraiser in many bankruptcy proceedings located in San Bernardino, Riverside and Palm Springs area. I have also been appointed in probate matters by the Superior courts throughout the San Bernardino, Riverside and Palm Springs area. My experience in appraisal and liquidation has included participation in a variety of different industries and markets, such as auction of bankruptcy of Northland Rentals in Chino, Ca. in March 98 for \$441,413.00 and auction of Receivership of Dates by Davall in Indio, Ca. in July 98 for \$498,555.00. I have appraised & liquidated the equipment and inventory of construction companies, manufacturing concerns, retail stores, lumber yards, hardware stores, motels & hotels. As an agent for bankruptcy Trustees, I have also had numerous occasions to provide management & supervisory services in support of operating bankruptcy cases. I am licensed and bonded by the State of California and also have a security bond at all times on file with the Secretary of State of California.


Jack Pope

Pope's Antiques & Auctions, Inc.



No documents satisfy your query. Your database is ULJ-ALL
Your query: NAME(PDCELON)

Edit Query

EXHIBIT 4 PAGE 29

Exhibit 1

Page 31

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the City of Rancho Santa Margarita, County of Orange, State of California. I am over the age of 18 years and not a party to the within action. My business address is 22342 Avenida Empresa, Suite 255, Rancho Santa Margarita, California 92688.

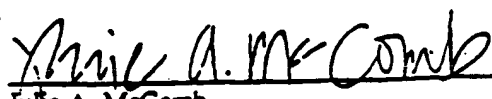
On April 26, 2001, I served the documents named below on the parties in this action as follows:

DOCUMENT(S) SERVED: MOTION FOR AUTHORITY TO: (1) SELL AT AUCTION
PROPERTY OF THE DEBTOR'S ESTATE PURSUANT TO 11
U.S.C. § 363(b); AND (2) EMPLOY AND COMPENSATE
AUCTIONEER (POPE'S ANTIQUES & AUCTIONS, INC.);
MEMORANDUM OF POINTS AND AUTHORITIES; AND
DECLARATIONS OF STEVEN M. SPEIER, JACK POPE AND
JULIE McCOMB IN SUPPORT THEREOF

SERVED UPON: SEE ATTACHED SERVICE LIST

- [X] (BY MAIL) I caused each such envelope, with postage thereon fully prepaid, to be placed in the United States mail at Rancho Santa Margarita, California. I am readily familiar with the practice of the Law Office of Thomas H. Casey, Inc. for collection and processing of correspondence for mailing, said practice being that in the ordinary course of business, mail is deposited in the United States Postal Service the same day as it is placed for collection.
- [] (BY FACSIMILE) The above-referenced document was transmitted by facsimile transmission and the transmission was reported as completed and without error. Pursuant to C.R.C. 2009(i), I either caused, or had someone cause, the transmitting machine to properly transmit the attached documents to the facsimile numbers shown on the service list.
- [] (BY FEDERAL EXPRESS) I am readily familiar with the practice of the Law Office of Thomas H. Casey, Inc. for collection and processing of documents for overnight delivery and know that the document(s) described herein will be deposited in a box or other facility regularly maintained by Federal Express for overnight delivery.
- [] (BY PERSONAL SERVICE) I delivered to an authorized courier or driver authorized by O.C. Corporate Courier to receive documents to be delivered on the same date. A proof of service signed by the authorized courier will be filed forthwith.
- [] (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.
- [X] (FEDERAL) I declare that I am employed in the office of a member of the bar of this court, at whose direction this service was made.

Executed on April 26, 2001, at Rancho Santa Margarita, California.


Julie A. McComb

PROOF OF SERVICE LIST

Interested Party

Office of United States Trustee
Ronald Reagan Federal Building &
United States Courthouse
411 West Fourth Street, Suite 9041
Santa Ana, CA 92701-8000

Chapter 7 Trustee

Steven M. Speier, C.P.A.
4100 Newport Place, Third Floor
Newport Beach, CA 92660

Debtor

Pixelon Corporation
Attn: Gale Strother, CFO
31732 Rancho Viejo Road, Suite D
San Juan Capistrano, CA 92675

Attorneys for the Official Committee of

Unsecured Creditors

Sara L. Chenetz, Esq.
Robinson, Diamant & Wolkowitz
19800 MacArthur Blvd., Suite 820
Irvine, CA 92612

FILED

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

APR 27 PM 1:59

In re

PIXELON CORPORATION,
a California corporation

Debtor.

Case No. SA00-13425 LR
Chapter 7 CALIFORNIA, BY: _____

NOTICE OF HEARING ON MOTION FOR
AUTHORITY TO: (1) SELL AT AUCTION
PROPERTY OF THE DEBTOR'S ESTATE
PURSUANT TO 11 U.S.C. § 363(b); AND (2)
EMPLOY AND COMPENSATE
AUCTIONEER (POPE'S ANTIQUES &
AUCTIONS, INC.)

Date: May 22, 2001
Time: 10:00 a.m.
Crm: 5D

PLEASE TAKE NOTICE that May 22, 2001, at 10:00 a.m., in Courtroom 5D of the above-entitled Court located at 411 West Fourth Street, Santa Ana, California 92701, before the Honorable Lynne Riddle, United States Bankruptcy Judge, Steven M. Speier, Chapter 7 Trustee ("Trustee") for the bankruptcy estate of Pixelon Corporation, a California corporation ("Debtor"), respectfully moves this Court for authority to (1) sell at public auction property of the Estate pursuant to 11 U.S.C. § 363(b), and (2) the employment of an auctioneer, based on the following:

Background Information

This case was commenced by the filing of an involuntary Chapter 7 petition on April 24, 2000. Upon the Debtor's application and pursuant to Court order entered on July 10, 2000, the Debtor's bankruptcy case was converted to a case under Chapter 11. Steven M. Speier is the duly appointed, qualified and acting Chapter 11 Trustee. Upon the Trustee's motion, and by Order entered March 6, 2001, the Court granted the Trustee's motion to convert the chapter 11 case to a case under chapter 7. Steven M. Speier is the duly appointed, qualified and acting Chapter 7 Trustee. Prior to the bankruptcy filing, the Debtor's business operations consisted of developing an Internet based video publishing company that uses proprietary patented technologies to achieve television quality video broadcasts over normal Internet connections. The Debtor's business revenues were derived from technology licensing fees and revenue sharing agreements sold to the entertainment industry.

Property To Be Auctioned

The Trustee proposes to sell all of the Property at an auction sale to be conducted by Pope's Antiques & Auctions, Inc., the Trustee's proposed auctioneer. The auction is scheduled to be held on May 26, 2001 at the Debtor's business premises located at 31732 Rancho Viejo Road, Suite D, San Juan Capistrano, California.

The Property to be auctioned consists of but is not limited to the following:

- a. The estate's interest in any and all intellectual property. The Debtor's interest in the intellectual property specifically includes and is not limited to computers containing the estate's interest in its intellectual property relating to media compression and encoding, playback software, viewer response technology, enhanced microsoft streaming technology, and individual advertising technology. The Debtor's former principal, David Kim Stanley aka Michael Adam Fenne, has asserted an interest in the intellectual property. The Trustee is selling the estate's interest in the intellectual property as is and where is and without representations and warranties.
- b. The estate's interest in the video library located on the Debtor's former premises including but not limited to videos of various artists performing at a concert hosted by the Debtor on October 9, 1999. The Debtor's contract rights with the artists performing at the October

Exhibit 2

4/27/01

Page 34

1 9, 1999, concert appear to have terminated pre-petition. The Trustee is selling the video library as
is and where is and without representation or warranty.

2 c. The estate's interest in all of the remaining personal property located
3 on the Debtor's former premises. The Trustee is selling the remaining personal property located on
the Debtor's former premises as is and where is and without representation or warranty.

4 Due in large part to the recent downturn affecting almost all high-tech companies, the Trustee
5 has been unable to complete a private sale of the Property. Moreover, the Trustee believes that an
auction sale is the most efficient and cost effective way to liquidate the Property.

6 Qualifications Of Proposed Auctioneer.

7 The Trustee has received a proposal from Pope's Auctions and Antiques, Inc., to assist with
the proposed auction sale of the estate's Property. Pope's Antiques & Auctions, Inc. has substantial
8 experience in providing auction and appraisal services and is well qualified to conduct the proposed
9 auction of the Property. Pope's Antiques & Auctions, Inc. has on file a \$200,000 blanket bond in
favor of the United States, as required by the United States Trustee's Supervisory Instruction #10.
The original blanket bond is held by the Office of the United States Trustee.

10 Auctioneer's Marketing Efforts and Proposed Compensation

11 Pope's Auctions and Antiques will advertise the proposed auction in major newspapers in
Orange County and Los Angeles County. A brochure advertising the auction of the Property will
12 be forwarded to parties on established mailing lists and notice of the proposed auction will be
forwarded to all creditors. The Property may be previewed by prospective purchasers on May 25,
13 2001 from 10:00 a.m. to 5:00 p.m. at the Debtor's former premises known as 31732 Rancho Viejo
Road, Suite D, San Juan Capistrano, California and by calling Pope's Auctions and Antiques at (760)
14 329 - 1077. Depending on the interest received by prospective purchasers the Trustee reserves the
right on the auction date to sell the Property as one unit in one sale or piece meal in multiple units.
15 In the event the Property is sold piece meal and in multiple units, the auctioneer will receive a
commission of twenty percent (20%) percent of the gross proceeds at the time of the sale. In the
16 event the Property is sold as one unit as one sale the auctioneer will receive a commission of fifteen
(15%) of the gross proceeds at the time of sale. The proposed fifteen (15%) commission and the
17 proposed twenty percent (20%) commission includes costs such as setting up, advertising, labor to
allow potential bidders to preview the Property, and inventory management. The proposed auctioneer
18 will collect all gross proceeds from the sale and will pay all applicable sales taxes. After paying the
sales taxes the proposed auctioneer will turnover the net proceeds to the Trustee within ten days after
19 the auction. In compliance with Federal Rule of Bankruptcy Procedure 6004(4) and Local
Bankruptcy Rule 2016 -1(1)(a) the proposed auctioneer will file a sold item and expense report with
20 the Court and serve a copy of the Report on the U.S. Trustee and the Trustee prior to receiving final
compensation. Following the filing and service of the Report and absent any objection to the Report
21 by the Trustee, the Trustee will file a notice with the Court and serve it on the U.S. Trustee, the
Debtor, the Debtor's counsel, the 20 largest unsecured creditors, and parties requesting special
22 notice. The Notice will state that (1) the proposed auctioneer's Report has been filed with the Court,
(2) copies of the Report may be obtained from the Trustee or the Court, and (3) if no objection to the
23 auctioneer's fees and expenses is received by the Trustee within 10 days of service of the Notice, the
Trustee may pay the auctioneer's reasonable fees and expenses without further notice or order of the
Court. ("Payment Procedure").

24 The Trustee believes that the proposed employment of Pope's Auctions & Antiques, Inc. is
25 fair and reasonable and that the Trustee should be authorized to employ the firm on the terms and
conditions set forth above. The Trustee is satisfied from the Declaration of Jack Pope that Pope's
26 Auctions & Antiques, Inc. is a disinterested person within the meaning of Bankruptcy Code Section
101(14).

27
28 ///

Exhibit 2

1 For further information please see the MOTION FOR AUTHORITY TO: (1) SELL AT
2 AUCTION PROPERTY OF THE DEBTOR'S ESTATE PURSUANT TO 11 U.S.C. § 363(b);
3 AND (2) EMPLOY AND COMPENSATE AUCTIONEER (POPE'S ANTIQUES &
4 AUCTIONS, INC.); MEMORANDUM OF POINTS AND AUTHORITIES; AND
5 DECLARATIONS OF STEVEN M. SPEIER, JACK POPE AND JULIE McCOMB IN
6 SUPPORT THEREOF on file with the Clerk of the above-entitled Court which may be reviewed
7 Monday through Friday from 9:00 A.M. to 4:00 P.M.

8 PLEASE TAKE FURTHER NOTICE, that objections, if any, shall be filed with the Clerk
9 of the above Court and a copy served upon Thomas H. Casey, 22342 Avenida Empresa, Suite 255,
10 Rancho Santa Margarita, California 92688 and the Office of the United States Trustee, 411 West
11 Fourth Street, Suite 9041, Santa Ana, California 92701, no later than fourteen (14) days prior to the
12 scheduled hearing. SEE LOCAL BANKRUPTCY RULE 9013-1(1)(g). Failure to file a timely
13 response may be deemed as consent to the relief requested in the Motion. SEE LOCAL
14 BANKRUPTCY RULE 9013-1 (1)(k).

15 Thomas H. Casey - Bar No. 138264
16 LAW OFFICE OF THOMAS H. CASEY, INC.
17 A PROFESSIONAL CORPORATION
18 22342 Avenida Empresa, Suite 255
19 Rancho Santa Margarita, CA 92688

20 Telephone: (949) 766-8787
21 Facsimile: (949) 766-9896

22 Dated: April 26, 2001

23 By:

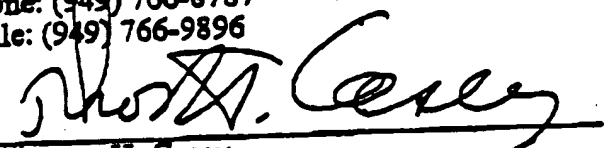
24 
25 Thomas H. Casey
26 Attorney for Steven M. Speier, Chapter 7 Trustee
27 for the bankruptcy estate of Pixelon Corporation,
28 a California corporation

Exhibit 2

Page 38

PROOF OF SERVICE

STATE OF CALIFORNIA, COUNTY OF ORANGE

I am employed in the City of Rancho Santa Margarita, County of Orange, State of California. I am over the age of 18 years and not a party to the within action. My business address is 22342 Avenida Empressa, Suite 255, Rancho Santa Margarita, California 92688.

On April 26, 2001, I served the documents named below on the parties in this action as follows:

DOCUMENT(S) SERVED: **NOTICE OF HEARING ON MOTION FOR AUTHORITY TO: (1) SELL AT AUCTION PROPERTY OF THE DEBTOR'S ESTATE PURSUANT TO 11 U.S.C. § 363(b); AND (2) EMPLOY AND COMPENSATE AUCTIONEER (POPE'S ANTIQUES & AUCTIONS, INC.)**

SERVED UPON: **SEE ATTACHED SERVICE LIST**

- ☒ (BY MAIL) I caused each such envelope, with postage thereon fully prepaid, to be placed in the United States mail at Rancho Santa Margarita, California. I am readily familiar with the practice of the Law Office of Thomas H. Casey, Inc. for collection and processing of correspondence for mailing, said practice being that in the ordinary course of business, mail is deposited in the United States Postal Service the same day as it is placed for collection.
- ☐ (BY FACSIMILE) The above-referenced document was transmitted by facsimile transmission and the transmission was reported as completed and without error. Pursuant to C.R.C. 2009(i), I either caused, or had someone cause, the transmitting machine to properly transmit the attached documents to the facsimile numbers shown on the service list.
- ☐ (BY FEDERAL EXPRESS) I am readily familiar with the practice of the Law Office of Thomas H. Casey, Inc. for collection and processing of documents for overnight delivery and know that the document(s) described herein will be deposited in a box or other facility regularly maintained by Federal Express for overnight delivery.
- ☐ (BY PERSONAL SERVICE) I delivered to an authorized courier or driver authorized by O.C. Corporate Courier to receive documents to be delivered on the same date. A proof of service signed by the authorized courier will be filed forthwith.
- ☐ (STATE) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.
- ☒ (FEDERAL) I declare that I am employed in the office of a member of the bar of this court, at whose direction this service was made.

Executed on April 26, 2001, at Rancho Santa Margarita, California.


Julie A. McComb

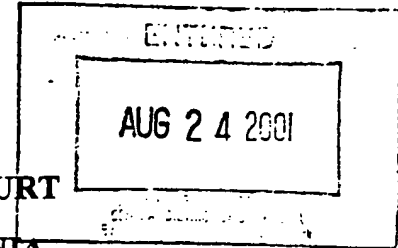
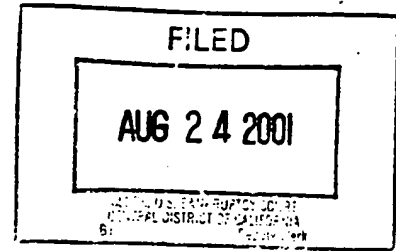
Exhibit 2

Page 37

9686 99L 576 12:01 1002.11.NC2

1 JEFFREY B. GARDNER, Bar No. 115648
HYDEE J. MULICHAK, Bar No. 158779
2 SAXON, BARRY, GARDNER & KINCANNON
A Professional Corporation
3 4400 MacArthur Boulevard, Suite 700
Newport Beach, California 92660
4 Tel: (949) 851-9111 Fax: (949) 851-3935

5 Attorneys for Steven M. Speier,
Chapter 7 Trustee
6



8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

11 In re

12 **PIXELON CORPORATION,**
a California corporation,

13 Debtor.
14
15
16
17

CASE NO. SA00-13425-LR

Chapter 7

**ORDER GRANTING MOTION TO
CONFIRM SALE OF
INTELLECTUAL PROPERTY TO
DANTE PUGLIESE**

Date: August 20, 2001

Time: 3:30 p.m.

Place: 5D

18 The Motion to Confirm Sale of Intellectual Property, or in the Alternative, Authority to
19 Sell Intellectual Property by Auction Pursuant to 11 U.S.C. §363(b) ("Motion"), filed by Steven
20 M. Speier, Chapter 7 Trustee ("Trustee"), came for hearing on shortened notice before the
21 Honorable Lynne Riddle, United States Bankruptcy Judge. Hydeec Mulichak of Saxon, Barry,
22 Gardner & Kincannon, APC appeared on behalf of Steven M. Speier, Chapter 7 Trustee Robert
23 Johnson appeared on behalf of William Kelly and David Kim Stanley and Dante Pugliese
24 appeared in propria persona.

25 The matter was heard, and the Court having fully considered the same, and based upon
26 the findings of fact and conclusions of law set forth on the record, and it appearing that notice
27 was duly and properly served in accordance with the Bankruptcy Rules, good cause
28 appearing therefore,

1 **IT IS HEREBY ORDERED THAT** the Motion is granted.

2 **IT IS FURTHER ORDERED THAT** the objections set forth in the opposition papers
3 filed by William Kelly and David Kim Stanley are overruled.

4 **IT IS FURTHER ORDERED THAT** the sale of the Trustee's right, title and interest in
5 the intellectual property described as the estate's interest in any and all intellectual property
6 including, but not limited to, computers containing the estate's interest in its intellectual
7 property relating to media compression and encoding, playback software, viewer response
8 technology, enhanced microsoft streaming technology, and individual streaming technology to
9 Dante Pugliese for \$1,200 as is, where is, without representations or warranties is confirmed.

10
11
12 DATED:

Aug. 24, 2001

Hon. Lynne Riddle

LYNNE RIDDLE,
UNITED STATES BANKRUPTCY JUDGE

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16
17 H:\2104\Pleadings\motion confirm\order granting confirm.wpd
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1 PROOF OF SERVICE

2 I am employed in the County of Orange, State of California. I am over the age of 18 and
3 not a party to the within action; my business address is 4400 MacArthur Boulevard, Suite 700,
Newport Beach, California 92660.


4 On August 21, 2001, I served the foregoing document described as **ORDER**
5 **GRANTING MOTION TO CONFIRM SALE OF INTELLECTUAL PROPERTY TO**
6 **DANTE PUGLIESE** on the interested parties in this action by placing a true copy thereof
enclosed in a sealed envelope addressed as follows:

7 See Attached Service List

8 /X/ [BY MAIL] I am readily familiar with the firm's business practice of collection and
processing correspondence for mailing. Under that practice, it would be deposited with
9 the U.S. Postal Service on that same day with postage thereon fully prepaid at Newport
Beach, California in the ordinary course of business. I am aware that on motion of the
10 party served, service is presumed invalid if postal cancellation date or postage meter date
is more than one day after date of deposit for mailing in affidavit.

11 /X/ [FEDERAL] I declare that I am employed in the office of a member of the bar of this
12 court at whose direction the service was made.

13 Executed on August 21, 2001, at Newport Beach, California.

14 
15 Barbara J. Domingo

1 In re Pixelon Corporation
2 Case No. SA00-13425-LR

3 **SERVICE LIST**

4 Office of the US Trustee
5 411 West Fourth Street
6 Suite 9041
7 Santa Ana, CA 92701-8000

8 Robert Grey Johnson, Jr.
9 30131 Town Center Drive, Suite 147
10 Laguna Niguel, CA 92677

11 Dante Pugliese
12 10520 Magnolia Boulevard.
13 North Hollywood, CA 91601

14 Steven M. Speier
15 Chapter 7 Trustee
16 4100 Newport Place, Suite 300
17 Newport Beach, CA 92660

18

19

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**NOTE TO USERS OF THIS FORM:**

Physically attach this form as the last page of the proposed Order or Judgment.

Do not file this form as a separate document.

| | |
|--|--|
| In re PIXELON CORPORATION, a California corporation | CHAPTER <u>7</u> Debtor. CASE NUMBER: SA00-13425-LR |
|--|--|

**NOTICE OF ENTRY OF JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING**

TO ALL PARTIES IN INTEREST ON THE ATTACHED SERVICE LIST:

1. You are hereby notified, pursuant to Local Bankruptcy Rule 9021-1(a)(1)(E), that a judgment or order entitled (specify):
ORDER GRANTING MOTION TO CONFIRM SALE OF INTELLECTUAL PROPERTY TO DANTE PUGLIESE

AUG 24 2001

was entered on (specify date):

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons and entities on the attached service list on (specify date):

AUG 24 2001

Dated:

AUG 24 2001

JON D. CERETTO
Clerk of the Bankruptcy Court

By: **E. Steinberg**
Deputy Clerk

1 In re Pixelon Corporation
2 Case No. SA00-13425-LR

3 SERVICE LIST

4 Office of the US Trustee
5 411 West Fourth Street
6 Suite 9041
7 Santa Ana, CA 92701-8000

8 Robert Grey Johnson, Jr.
9 30131 Town Center Drive, Suite 147
10 Laguna Niguel, CA 92677

11 Dante Pugliese
12 10520 Magnolia Boulevard
13 North Hollywood, CA 91601

14 Steven M. Speier
15 Chapter 7 Trustee
16 4100 Newport Place, Suite 300
17 Newport Beach, CA 92660

18 Hydee J. Mulichak
19 Saxon, Barry, Gardner & Kincannon
20 4400 MacArthur Boulevard, Suite 700
21 Newport Beach, CA 92660

**Bankruptcy Proceeding Documents,
including copies of Assignment of Certain
Inventions from Stanley/Fenne
to Pixelon, Inc. (at p. 32 ff)**

MARC J. WINTHROP - CA State Bar #63218
CHARLES LIU - CA State Bar #190513
WINTHROP COUCHOT
PROFESSIONAL CORPORATION
3 Civic Plaza, Suite 280
Newport Beach, CA 92660
Telephone: (949) 720-4100
Facsimile: (949) 720-4111

Proposed Attorneys for Debtor and
Debtor-in-Possession

AUG 22 2000

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re: Case No. SA 00-13425 LR

PIXELON CORPORATION, a California
Corporation,

Chapter 11 Proceeding

Debtor and
Debtor-in-Possession
DEBTOR'S REPLY TO DAVID KIM
STANLEY AKA ADAM MICHAEL
FENNE, DAVID SNYDER, AND SHELLA
ROBERTSON'S OBJECTION TO
MOTION FOR AUTHORITY TO
OBTAIN SECURED FINANCING

(11 U.S.C. §364 (c) & (d))

DATE: August 28, 2000
TIME: 10:30 A.M.
PLACE: Courtroom 5D
411 West Fourth Street
Santa Ana, CA 92701

49343.1

MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

Pixelon Corporation dba Pixelon.com, the debtor and debtor-in-possession herein (the "Debtor" or "Pixelon"), hereby replies to the Objection to Debtor's Motion for Authority to Obtain Secured Financing filed by David Kim Stanley aka Adam Michael Fenne, David Snyder, and Shella Robertson (the "Opposition").

By the Debtor's Motion for Authority to Obtain Secured Financing (the "Motion"), the Debtor seeks authority to borrow \$1,000,000 from Robert Petersen, or his designee (the "Loan"). Robert Petersen is a principal of the Petersen Publishing Co. which publishes magazines such as Motor Trend, Powder, and Teen. The Loan is to be secured by a lien on substantially all of the Debtor's assets, including intellectual property. The Loan is convertible, at Petersen's option, to an approximately 10% equity interest in the Debtor. As evidenced by his willingness to make this bridge loan, Petersen is interested in eventually acquiring either the Debtor or its assets by making further infusions of capital to the estate which will facilitate a substantial payment on allowed general unsecured claims. Without the Loan, the Debtor will have no funds to make its technology marketable and will be forced to shut down with little or no payout to general unsecured creditors. As indicated in the Debtor's Chapter 11 schedules, intellectual property is the Debtor's largest asset.

As indicated in the Motion, the Debtor has an immediate need for the proceeds of the Loan to pay its overhead expenses and to prepare its technology for potential customers. Even a brief continuance would prove fatal to the Debtor's reorganization effort and jeopardize any hope of the unsecured creditors receiving a distribution. Including the \$175,000 the Debtor raised from the sale of its Balthaser stock in July 2000, the proceeds of which were used to pay insurance and other expenses, the Debtor currently holds cash in the approximate amount of \$45,000 which is only expected to last for less than two weeks.

In the Opposition, David Kim Stanley aka Adam Michael Fenne ("Stanley/Fenne") asserts that he is the owner of the Debtor's intellectual property and therefore the Debtor's intellectual

property cannot be used as collateral for the Loan. As discussed more fully below, Stanley/Fenne does not own the Debtor's intellectual property and to the extent that Stanley/Fenne had any interest in the Debtor's intellectual property, Stanley/Fenne transferred it to the Debtor on July 14, 1999. Accordingly, the Loan to Petersen should be approved in the form described in the Motion.

II.

BACKGROUND

A. The Debtor and Its Business.

The Debtor is a developer of technologies to deliver high quality media content, such as full-screen streaming video, over the Internet. The key to the Debtor's reorganization strategy will be to stay on the cutting edge of Internet media technology by developing new generations of compression and playback technologies. Virtually every major media company and industry analyst believes that movies, television shows, and other similar media will eventually be broadcast over the Internet. Up until now, however, Internet media player technology has not been able to deliver a high quality full-screen video program over the Internet due to the massive size of video files. The Debtor, however, is on the verge of making a major breakthrough in high quality full-screen video delivered over the Internet with its unique proprietary technologies.

In mid 1999, the Debtor developed and introduced its first Internet media player, using what is now known as "Generation 1" technology. In late 1999, the Debtor contracted with Loco Labs in San Jose, California to develop the Debtor's "Generation 2" full-screen Internet media player which is a state-of-the-art product that is currently offered by the Debtor. Because the Generation 2 technology current offered by the Debtor was developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology.

The Debtor has already made significant progress on its "Generation 3" technology and estimates that it will be able to perfect its Generation 3 technology in the next few months. Additional development costs are expected to be \$250,000. Needless to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted from the

Debtor. The Debtor's Generation 3 full-screen Internet media player represents a major leap over current Internet media player technology and is far more advanced than any other Internet media player in existence. This will give the Debtor a strong competitive advantage over its competitors. The Debtor's Generation 3 technology is eagerly anticipated and is already generating a great deal of interest and excitement among major media companies such as Twentieth Century Fox and Warner Brothers. These media companies know that the Debtor's Generation 3 technology will make the goal of broadcasting movies and other programs over the Internet a reality. As indicated in the Motion, the Debtor cannot complete its Generation 3 technology without the proceeds of the Petersen Loan.

B. The Debtor's Relationship with Stanley/Fenne.

Using the alias "Adam Michael Fenne," Stanley/Fenne founded the Debtor in 1998 and served as, among other positions, the Debtor's president and chairman of the board while he was a fugitive from justice. The Debtor is informed that in 1989, Stanley/Fenne pleaded guilty to over 50 counts of fraud and embezzlement in Virginia and Tennessee. Stanley/Fenne was ordered to pay restitution which reduced his lengthy prison sentence to eight years. However, Stanley/Fenne fled in 1996 with restitution only partly repaid. As a result, Stanley/Fenne was placed on the Commonwealth of Virginia's most-wanted list. On or about April 12, 2000, Stanley/Fenne surrendered to Virginia authorities who were about to capture him after a four-year manhunt. Stanley/Fenne is currently incarcerated in the Wise County, Virginia jail and will likely be extradited to Tennessee for further incarceration if and when he is ever released by Virginia authorities.

In 1999, the Debtor's board of directors and shareholders became increasingly concerned with Stanley/Fenne's irrational management behavior. For example, Stanley/Fenne entered into numerous contracts that were detrimental to the Debtor. There are also several well documented instances of Stanley/Fenne's abusive management style. Stanley/Fenne also gave away substantial amounts of the Debtor's stock with no apparent benefit to the Debtor and without board approval.

1 The most well publicized of Stanley/Fenne's numerous outrageous actions was when
2 Stanley/Fenne squandered \$16.3 million (more than half of the Debtor's initial capital) on a
3 lavish "launch" party in Las Vegas, Nevada dubbed "iBash." iBash featured live performances by
4 the Who, Natalie Cole, Faith Hill, and the Dixie Chicks, among others. The Debtor's board had
5 authorized \$3 to \$4 million for the launch party and Stanley/Fenne exceeded his authority by a
6 factor of four. Stanley/Fenne agreed to pay the PAX television network \$1 million to broadcast
7 iBash and also gave PAX all of the advertising revenue from the broadcast. PAX should have
8 paid the Debtor to air iBash but Stanley/Fenne decided to pay PAX instead. Stanley/Fenne also
9 agreed to pay Faith Hill an additional \$250,000 as a result of iBash being shown on PAX TV
10 even though the Debtor had already paid Faith Hill \$500,000 which included the right to
11 broadcast the performance on television. When Faith Hill's representative spread the word about
12 Stanley/Fenne's largesse, the Dixie Chicks, who are friends of Faith Hill, also asked the Debtor
13 for another \$250,000 which Stanley/Fenne agreed to pay. Stanley/Fenne never sought nor
14 received board or management approval for these expenditures.

15 Because of Stanley/Fenne's bizarre behavior and reckless spending, the Debtor's board
16 decided to terminate Stanley/Fenne's involvement with the Debtor shortly after iBash in
17 November 1999. On or about April 10 or 11, 2000, Stanley/Fenne revealed to the Debtor that he
18 was an imposter and that Adam Michael Fenne was an alias. As a result, on May 17, 2000, the
19 Debtor brought a fraud action against Stanley/Fenne. A copy of the Debtor's complaint against
20 Stanley/Fenne is attached to the Declaration of Peter F. Foley (the "Foley Declaration") as Exhibit
21 "1."

22 The Debtor would like to emphasize that all of its former personnel who were
23 Stanley/Fenne's allies or co-conspirators were dismissed before the commencement of the instant
24 Chapter 11 case and the Debtor's current management has no relationship with Stanley/Fenne.
25 The Debtor's current management has been directing the Debtor's operations since June 20,
26 2000. New management, in conjunction with the Debtor's highly experienced technology team,
27 has continued to develop the Debtor's proprietary compression and playback technologies for the
28

1 Internet and digital media. New management has also drastically reduced the Debtor's operating
2 expenses.

3 C. Events Precipitating this Chapter 11 Case.

4 Like many other so called "dot-com" companies, poor cost control and reckless spending
5 by the Debtor's former management, especially Stanley/Fenne, precipitated a severe cash flow
6 crisis in the Debtor's operations. Because of Stanley/Fenne and other former members of the
7 Debtor's management's behavior, the Debtor is the subject of numerous lawsuits pending
8 throughout the country which threatened to exhaust the Debtor's resources.

9 Its financial problems notwithstanding, the Debtor does own state of the art proprietary
10 compression and playback technologies for distributing media over the Internet. Because of the
11 Debtor's future potential, in early 2000, the Debtor had arranged for bridge financing in the
12 amount of \$2,000,000 from Alliance Atlantis Communications, Inc ("Alliance Atlantis"). Alliance
13 Atlantis, based in Toronto Canada, is a leading broadcaster, creator, and distributor of television
14 shows including Gene Roddenberry's Final Conflict, Peter Benchley's Amazon, Total Recall 2070,
15 and Beethoven and movies including Scary Movie, Sunshine, and the Cell. In addition, the
16 Debtor had entered into a contract with Alliance Atlantis where the Debtor would encode 100
17 movies for Alliance Atlantis for approximately \$350,000.

18 On April 27, 2000, while the loan and contract from Alliance Atlantis were about to close,
19 certain creditors and purported creditors: Ronald Clear, Snowden Electric Company, Single
20 Source, and Lawrence J. Winslow (the "Petitioning Creditors"), through their representative
21 Michael W. Kinney, filed an involuntary Chapter 7 petition against the Debtor (the "Involuntary
22 Petition").

23 Because the Debtor believed the Involuntary Petition was without merit, the Debtor
24 initially prepared to move to dismiss the Involuntary Petition along with a prayer for damages and
25 a request for a bond against the Petitioning Creditors. Unfortunately, the Involuntary Petition
26 alarmed Alliance Atlantis so much that it withdrew its support of the Debtor within days of the
27 Involuntary Petition being filed.
28

1 Because the Involuntary Petition took away the capital the Debtor needed to develop its
2 technology, the Debtor could not survive even if the Involuntary Petition were dismissed.
3 Accordingly, the Debtor was forced to commence the instant Chapter 11 case in order to stabilize
4 its financial problems so that it can concentrate on developing and marketing its technology while
5 at the same time seeking other potential investors.

6 **D. The Debtor's Intellectual Property.**

7 As described above, the Debtor owns proprietary technology to deliver high quality media
8 over the Internet. There are three main elements of the Debtor's intellectual property: 1) an
9 encoding system, 2) an encryption system, and 3) a decoding system. These elements work
10 together to allow high image quality full-screen video media to be played over the Internet. The
11 encoding system compresses the video file so that it can be transmitted over the Internet at high
12 speeds, the encryption system prevents unauthorized viewing or copying of the media (this is very
13 important to the media companies), and the decoding system, or "player", plays the media on the
14 consumer's computer. The Debtor currently has nine pending patents on its technology. Attached
15 to the Declaration of Peter F. Foley (the "Foley Declaration") as Exhibit "2" is a list of the
16 Debtor's current pending patents.

17 **III.**

18 **THE DEBTOR'S INTELLECTUAL PROPERTY DOES NOT BELONG TO**

19 **STANLEY/FENNE**

20 **A. Stanley/Fenne Did Not Invent the Debtor's Technology.**

21 Notwithstanding Stanley/Fenne's misrepresentations to the public and the Debtor's
22 investors that he is an expert computer programmer, in reality, Stanley/Fenne never had the
23 technical background, training, or expertise to have developed any of the Debtor's technology.
24 Stanley/Fenne was a fugitive from justice who did not have a technical background and only posed
25 as a computer programmer named "Adam Michael Fenne."

26 The bulk of the work on the Debtor's Generation 1 technology was actually performed by
27 Troy Kisky ("Kisky"), a computer programmer employed by the Debtor.
28

1 California Labor Code section 2860 provides:

2 Every person which an employee acquires by virtue of his employment, except the
3 employee, on which is due to him from his employer, belongs to the employer,
4 whether acquired lawfully or unlawfully, or during or after the expiration of the
5 term of his employment.

6 Cal. Labor Code § 2860. Goodyear Tire & Rubber Co. of Akron, Ohio, v. Miller, 22 F.2d 353 (9th
7 Cir. 1927) (Invention made by employee hired to make it belonged to employer).

8 Because Kisky was an employee hired to do computer programming and not an outside
9 contractor, all intellectual property developed by Kisky while employed by the Debtor is the
10 Debtor's property. A copy of Kisky's 1999 IRS Form W-2 issued by the Debtor is attached to the
11 Foley Declaration as Exhibit "3."

12 As previously discussed, the Debtor's board ousted Stanley/Fenne in November of 1999.
13 The Debtor's current Generation 2 technology was developed beginning in late 1999 by the
14 Debtor's outside programming contractor Loco Labs in San Jose, California. A copy of Loco
15 Labs' 1999 IRS Form 1099 (in the amount of \$1,033,709.57) issued by the Debtor is attached to
16 the Foley Declaration as Exhibit "4." Because the current technology offered by the Debtor was
17 developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure
18 from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology. Needless
19 to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being
20 developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne
21 was ousted from the Debtor.

22 **B. Stanley/Fenne Assigned All of His Intellectual Property to the Debtor.**

23 Notwithstanding the fact that Stanley/Fenne did not develop any of the Debtor's
24 technology, the Debtor's nine pending patents, filed between July 12, 1999 and October 28, 1999,
25 are registered in the name of "Adam Michael Fenne." This is not particularly surprising since
26 Stanley/Fenne was the Debtor's president. However, regardless of the origin, "Adam Michael
27 Fenne's" intellectual property belongs to the Debtor. On July 14, 1999, Stanley/Fenne executed,
28 as "Adam Michael Fenne," an Assignment of Intellectual Property Rights Agreement (the "IP
Assignment") with the Debtor. A copy of the IP Assignment is attached to the Foley Declaration

1 as Exhibit "5." As indicated in the IP Agreement, Stanley/Fenne assigned all of his right, title, and
2 interest in any inventions from and after January 1, 1997 to the Debtor. Accordingly, to the extent
3 Stanley/Fenne actually developed any intellectual property while he was an employee of the
4 Debtor, such intellectual property belongs to the Debtor. As discussed above, the Debtor does not
5 believe Stanley/Fenne developed any of the Debtor's technology. Rather, such assignments are
6 standard in the technology industry to reassure investors that the company actually owns its
7 technology.

8 After Stanley/Fenne's departure from the Debtor, Stanley Fenne and the Debtor entered
9 into a Severance Agreement dated December 27, 1999 (the "Severance Agreement"). A copy of
10 the Severance Agreement is attached to the Foley Declaration as Exhibit "6." Stanley/Fenne's
11 assertion that the \$660,000 payment referenced in the Severance Agreement is consideration for
12 Stanley/Fenne's assigning intellectual property to the Debtor is nonsensical because the Debtor
13 already owned all of its intellectual property at that time. As indicated by the plain language of the
14 Severance Agreement, the \$660,000 payment was to purchase the Debtor's stock held by
15 Stanley/Fenne.

16 C. Stanley/Fenne is Currently Illegally Using the Debtor's Technology.

17 After Stanley/Fenne was ousted from the Debtor, Stanley/Fenne started several new
18 companies including companies known as Landragon.com, Ailos.com, Axilar.com, and
19 Lazaronventures.com. As indicated in the Severance Agreement sections 3.1 and 3.2,
20 Stanley/Fenne is prohibited from using the Debtor's intellectual property and from competing with
21 the Debtor. Furthermore, on October 10, 1999, Stanley/Fenne and the Debtor entered into a
22 Confidentiality and Trade Secret Agreement (the "Confidentiality Agreement") whereby
23 Stanley/Fenne agreed not to disclose, remove, or use any of the Debtor's proprietary technology.
24 A copy of the Confidentiality Agreement is attached to the Foley Declaration as Exhibit "7." The
25 Debtor is informed that Stanley/Fenne is currently using the Debtor's media player on the
26 Lazaronventures.com website and intends to take action to enjoin such use. It is important to note
27 that the Agreement in Principal dated May 6, 2000 between Stanley/Fenne and the Debtor, referred
28 to in the Opposition, which purportedly allows Stanley/Fenne to use the Debtor's media player,

1 never became effective because its conditions precedent were never satisfied. To the extent
2 Stanley/Fenne relied on the Agreement in Principal to give the Debtor any source codes, such
3 intellectual property, as discussed above, is already the Debtor's property that was illegally taken
4 by Stanley/Fenne (see Confidentiality Agreement).

5 IV.

6 CONCLUSION

7 The Stanley/Fenne Opposition does not object to the approval of the Loan but does attempt
8 to prohibit the use of the Debtor's intellectual property as collateral. As demonstrated, however,
9 the Debtor owns its intellectual property and therefore the Debtor respectfully requests that the
10 Court enter an order:

11 A. authorizing the Debtor to borrow \$1,000,000 from Robert Petersen, or his designee,
12 at an interest rate of 12% per annum (the "Loan"). The Loan shall be due in one year with
13 principal and accrued interest payable at the termination of the Loan. The Loan shall be secured
14 by substantially all of the Debtor's assets and shall be convertible to a 10% equity interest in the
15 Debtor; and

16 B. granting such other relief as the Court deems necessary and proper.

17 Dated: August 21, 2000

18 WINTROP COUCHOT
19 PROFESSIONAL CORPORATION

20 By: 
21 Marc J. Winthrop
22 Charles Liu

23 Proposed Attorneys for Debtor and
24 Debtor-in-Possession

DECLARATION OF PETER H. FOLEY

I, Peter H. Foley, hereby declare and state as follows:

1. I am the President of Pixelon Corporation dba Pixelon.com, the debtor and debtor-in-possession herein (the "Debtor" or "Pixelon"), and am authorized to make this Declaration on its behalf. The matters stated herein are within my own personal knowledge and if called as a witness, I could and would competently testify thereto.

2. By the Debtor's Motion for Authority to Obtain Secured Financing (the "Motion"), the Debtor seeks authority to borrow \$1,000,000 from Robert Petersen, or his designee (the "Loan"). Robert Petersen is a principal of the Petersen Publishing Co. which publishes magazines such as Motor Trend, Powder, and Tecu. The Loan is to be secured by a lien on substantially all of the Debtor's assets, including intellectual property. The Loan is convertible, at Petersen's option, to an approximately 10% equity interest in the Debtor. Petersen has expressed a strong interest in eventually acquiring either the Debtor or its assets by making further infusions of capital to the estate which will facilitate a substantial payment on allowed general unsecured claims. Without the Loan, the Debtor will have no funds to make its technology marketable and will be forced to shut down with little or no payout to general unsecured creditors. As indicated in the Debtor's Chapter 11 schedules, intellectual property is the Debtor's largest asset.

3. As indicated in the Motion, the Debtor has an immediate need for the proceeds of the Loan to pay its overhead expenses and to prepare its technology for potential customers. A brief continuance would prove fatal to the Debtor's reorganization effort and jeopardize any hope of the unsecured creditors receiving a distribution. Including the \$175,000 the Debtor raised from the sale of its Balhazer stock in July 2000, the proceeds of which were used to pay insurance and other expenses, the Debtor currently holds cash in the approximate amount of \$45,000 which is only expected to last for less than two weeks.

4. The Debtor is a developer of technologies to deliver high quality media content, such as full-screen streaming video, over the Internet. The key to the Debtor's reorganization strategy will be to stay on the cutting edge of Internet media technology by developing new generations of compression and playback technologies. Virtually every major media company and

industry analyst believes that movies, television shows, and other similar media will eventually be broadcast over the Internet. Up until now, however, Internet media player technology has not been able to deliver a high quality full-screen video program over the Internet due to the massive size of video files. The Debtor, however, is on the verge of making a major breakthrough in high quality full-screen video delivered over the Internet with its unique proprietary technologies.

5. In mid 1999, the Debtor developed and introduced its first Internet media player, using what is now known as "Generation 1" technology. In late 1999, the Debtor contracted with Loco Labs in San Jose, California to develop the Debtor's "Generation 2" full-screen Internet media player. This is a state-of-the-art product that is current offered by the Debtor. Because the Generation 2 technology current offered by the Debtor was developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology.

6. The Debtor has already made significant progress on its "Generation 3" technology and estimates that it will be able to perfect its Generation 3 technology in the next few months with an additional \$250,000 in development cost. Needless to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted from the Debtor. The Debtor's Generation 3 full-screen Internet media player represents a major leap over current Internet media player technology and is far more advanced than any other Internet media player in existence. This will give the Debtor a strong competitive advantage over its competitors. The Debtor's Generation 3 technology is eagerly anticipated and is already generating a great deal of interest and excitement among major media companies such as Twentieth Century Fox and Warner Brothers. These media companies know that the Debtor's Generation 3 technology will make the goal of broadcasting movies and other programs over the Internet a reality. As indicated in the Motion, the Debtor cannot complete its Generation 3 technology without the proceeds of the Petersen Loan.

7. Using the alias "Adam Michael Fenne," Stanley/Fenne founded the Debtor in 1998 and served as, among other positions, the Debtor's president and chairman of the board while he

1 was a fugitive from justice. The Debtor is informed that in 1989, Stanley/Fenne pleaded guilty to
2 over 50 counts of fraud and embezzlement in Virginia and Tennessee. Stanley/Fenne was ordered
3 to pay restitution which reduced his lengthy prison sentence to only eight years. Nevertheless,
4 Stanley/Fenne fled in 1996 with restitution only partly repaid. As a result, Stanley/Fenne made the
5 Commonwealth of Virginia's most-wanted list. On or about April 12, 2000, Stanley/Fenne
6 surrendered to Virginia authorities who were about to capture him after a four-year manhunt.
7 Stanley/Fenne is currently incarcerated in the Wise County, Virginia jail and will likely be
8 extradited to Tennessee for further incarceration assuming he is ever released by Virginia
9 authorities.

10 8. In 1999, the Debtor's board of directors and shareholders became increasingly
11 concerned with Stanley/Fenne's irrational management behavior. For example, Stanley/Fenne
12 entered into numerous contracts that were detrimental to the Debtor. There are also several well
13 documented instances of Stanley/Fenne's abusive management style. Stanley/Fenne also gave
14 away substantial amounts of the Debtor's stock with no apparent benefit to the Debtor and without
15 board approval.

16 9. The most well publicized of Stanley/Fenne's numerous outrageous actions was
17 when Stanley/Fenne squandered \$16.3 million, more than half of the Debtor's initial capital, on a
18 lavish "launch" party in Las Vegas, Nevada dubbed "iBash." iBash featured live performances by
19 the Who, Natalie Cole, Faith Hill, and the Dixie Chicks, among others. The Debtor's board had
20 authorized \$3 to \$4 million for the launch party and Stanley/Fenne exceeded his authority by a
21 factor of four. Stanley/Fenne agreed to pay the PAX television network \$1 million to broadcast
22 iBash and also gave PAX all of the advertising revenue from the broadcast. PAX should have paid
23 the Debtor to air iBash but Stanley/Fenne decided to pay PAX instead. Stanley/Fenne also agreed
24 to pay Faith Hill \$250,000 as a result of iBash being shown on PAX TV even though the Debtor
25 had already paid Faith Hill \$500,000 which included the right to broadcast the performance on
26 television. When Faith Hill's representative spread the word about Stanley/Fenne's largesse, the
27 Dixie Chicks, who are friends of Faith Hill, also asked the Debtor for another \$250,000 which
28 Stanley/Fenne agreed to pay. Stanley/Fenne never sought nor received board or management

1 approval for these expenditures.

2 10. Because of Stanley/Fenne's bizarre behavior and reckless spending, the Debtor's
3 board decided to terminate Stanley/Fenne's involvement with the Debtor shortly after iBash in
4 November 1999. On or about April 10 or 11, 2000, Stanley/Fenne revealed to the Debtor that he
5 was an imposter and that Adam Michael Fenne was an alias. As a result, on May 17, 2000, the
6 Debtor brought a fraud action against Stanley/Fenne. A copy of the Debtor's complaint against
7 Stanley/Fenne is attached hereto as Exhibit "1."

8 11. The Debtor would like to emphasize that all of its former personnel who were
9 Stanley/Fenne's allies or co-conspirators were dismissed before the commencement of the instant
10 Chapter 11 case and the Debtor's current management has no relationship with Stanley/Fenne.
11 The Debtor's current management has been directing the Debtor's operations since June 20, 2000.
12 New management, in conjunction with the Debtor's highly experienced technology team, has
13 continued to develop the Debtor's proprietary compression and playback technologies for the
14 Internet and digital media. New management has also drastically reduced the Debtor's operating
15 expenses.

16 12. Like many other so called "dot-com" companies, poor cost control and reckless
17 spending by the Debtor's former management, especially Stanley/Fenne, precipitated a severe cash
18 flow crisis in the Debtor's operations. Because of Stanley/Fenne and other former members of the
19 Debtor's management's behavior, the Debtor is the subject of numerous lawsuits pending
20 throughout the country which threatened to exhaust the Debtor's resources.

21 13. Notwithstanding the Debtor's financial problems, the Debtor owns state of the art
22 proprietary compression and playback technologies for distributing media over the Internet.
23 Because of the Debtor's future potential, in early 2000, the Debtor had arranged for bridge
24 financing in the amount of \$2,000,000 from Alliance Atlantis Communications, Inc. ("Alliance
25 Atlantis"). Alliance Atlantis, based in Toronto Canada, is a leading broadcaster, creator, and
26 distributor of television shows including Gene Roddenberry's Final Conflict, Peter Benchley's
27 Amazon, Total Recall 2070, and Beasmaster and movies including Scary Movie, Sunshine, and
28 the Cell. In addition, the Debtor had entered into a contract with Alliance Atlantis where the

1 Debtor would encode 100 movies for Alliance Atlantis for approximately \$350,000.

2
3 14. On April 27, 2000, while the loan and contract from Alliance Atlantis were about
4 to close, certain creditors and purported creditors: Ronald Clear, Snowden Electric Company,
5 Single Source, and Lawrence J. Winslow (the "Petitioning Creditors"), through their representative
6 Michael W. Kinney, filed an involuntary Chapter 7 petition against the Debtor (the "Involuntary
7 Petition").

8 15. Because the Debtor believes the Involuntary Petition was without merit, the Debtor
9 initially prepared to move to dismiss the Involuntary Petition along with a prayer for damages and
10 a request for a bond against the Petitioning Creditors. Unfortunately, the Involuntary Petition
11 alarmed Alliance Atlantis so much that it withdrew its support of the Debtor within days of the
12 Involuntary Petition being filed.

13 16. Because the Involuntary Petition took away the capital the Debtor needed to
14 develop its technology, the Debtor could not survive even if the Involuntary Petition were
15 dismissed. Accordingly, the Debtor was forced to commence the instant Chapter 11 case in order
16 to stabilize its problems so that it can concentrate on developing and marketing its
17 technology without at the same time seeking other potential investors.

18 17. As described above, the Debtor owns proprietary technology to deliver high quality
19 media over the Internet. There are three main elements of the Debtor's intellectual property: 1) an
20 encoding system, 2) an encryption system, and 3) a decoding system. These elements work
21 together to allow high image quality full-screen video media to be played over the Internet. The
22 encoding system compresses the video file so that it can be transmitted over the Internet at high
23 speeds, the encryption system prevents unauthorized viewing or copying of the media (this is very
24 important to the media companies), and the decoding system, or "player", plays the media on the
25 consumer's computer. The Debtor currently has nine pending patents on its technology. Attached
26 hereto as Exhibit "2" is a list of the Debtor's current pending patents.

27 18. Notwithstanding Stanley/Fenne's misrepresentations to the public and the Debtor's
28 investors that he is an expert computer programmer, in reality, Stanley/Fenne never had the
technical background, training, or expertise to have developed any of the Debtor's technology.

1 Stanley/Fenne was a fugitive from justice who did not have a technical background and only posed
2 as a computer programmer named "Adam Michael Fenne."

3 19. The bulk of the work on the Debtor's Generation 1 technology was actually
4 performed by Troy Kisky ("Kisky"), a computer programmer employed by the Debtor. Because
5 Kisky was an employee and not an outside contractor, all intellectual property developed by Kisky
6 while employed by the Debtor is the Debtor's property. A copy of Kisky's 1999 IRS Form W-2
7 issued by the Debtor is attached hereto as Exhibit "3."

8 20. As previously discussed, the Debtor's board ousted Stanley/Fenne in November of
9 1999. The Debtor's Generation 2 technology was developed beginning in late 1999 by the
10 Debtor's outside programming contractor Loco Labs in San Jose, California. A copy of Loco
11 Labs' 1999 IRS Form 1099 (in the amount of \$1,033,709.57) issued by the Debtor is attached
12 hereto as Exhibit "4." Because the current technology offered by the Debtor was developed by an
13 outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor,
14 Stanley/Fenne has no interest in the Debtor's Generation 2 technology. Needless to say,
15 Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed
16 because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted
17 from the Debtor.

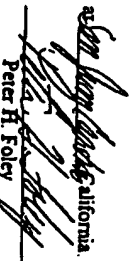
18 21. Notwithstanding the fact that Stanley/Fenne did not develop any of the Debtor's
19 technology, the Debtor's nine pending patents, filed between July 12, 1999 and October 28, 1999,
20 are registered in the name of "Adam Michael Fenne." Nevertheless, all of "Adam Michael
21 Fenne's" intellectual property belongs to the Debtor. On July 14, 1999, Stanley/Fenne executed,
22 as "Adam Michael Fenne," an Assignment of Intellectual Property Rights Agreement (the "IP
23 Assignment") with the Debtor. A copy of the IP Assignment is attached hereto as Exhibit "5." As
24 indicated in the IP Assignment, Stanley/Fenne assigned all of his right, title, and interest in his
25 inventions since January 1, 1997 to the Debtor. Accordingly, to the extent Stanley/Fenne actually
26 developed any intellectual property while he was an employee of the Debtor, such intellectual
27 property belongs to the Debtor. As discussed above, the Debtor does not believe Stanley/Fenne
28 developed any of the Debtor's technology. Such assignments are standard in the technology

1 entered into a Severance Agreement dated December 27, 1999 (the "Severance Agreement"). A
2 copy of the Severance Agreement is attached hereto as Exhibit "6." Stanley/Fenne's assertion that
3 the \$660,000 payment referenced in the Severance Agreement is consideration for Stanley/Fenne's
4 assigning intellectual property to the Debtor is nonsensical because the Debtor already owned all of
5 its intellectual property at that time

6
7 23. After Stanley/Fenne was ousted from the Debtor, Stanley/Fenne started several new
8 companies including companies known as Landragon.com, Ailos.com, Axitar.com, and
9 Lazarovenures.com. As indicated in the Severance Agreement sections 3 1 and 3 2,
10 Stanley/Fenne is prohibited from using the Debtor's intellectual property and from competing with
11 the Debtor. Furthermore, on October 10, 1999, Stanley/Fenne and the Debtor entered into a
12 Confidentiality and Trade Secret Agreement (the "Confidentiality Agreement") whereby
13 Stanley/Fenne agreed not to disclose, remove, or use any of the Debtor's proprietary technology
14 A copy of the Confidentiality Agreement is attached hereto as Exhibit "7." The Debtor is informed
15 that Stanley/Fenne is currently using the Debtor's media player on the Lazarovenures.com
16 website and intends to take action to enjoin such use. Note that the Agreement in Principal dated
17 May 6, 2000 between Stanley/Fenne and the Debtor, referred to in the Opposition, which
18 purportedly allows Stanley/Fenne to use the Debtor's media player, never became effective because
19 its conditions precedent were never satisfied. To the extent Stanley/Fenne relied on the Agreement
20 in Principal to give the Debtor any source codes, such intellectual property, as discussed above, is
21 already the Debtor's property that was illegally taken by Stanley/Fenne (see Confidentiality
22 Agreement)

23 I declare under penalty of perjury under the laws of the United States of America that the
24 foregoing is true and correct.

25 Executed this 21 day of August 2000, at San Francisco, California.

26 
27 Peter H. Foley
28

WOOD, BOHM & FRANCIS, LLP
Lee A. Wood (Bar No. 58676)
James G. Bohm (Bar No. 132430)
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Telephone: (949) 794-5900
Fax: (949) 794-5930

Attorneys for Plaintiff
PIXELON, INC., a California corporation

SUPERIOR COURT FOR THE STATE OF CALIFORNIA,
FOR THE COUNTY OF ORANGE, CENTRAL JUSTICE CENTER

PIXELON, INC., a California corporation.) Case No.:
Plaintiff.)
vs.)
DAVID KIM STANLEY, an)
individual, aka ADAM MICHAEL)
FENNE, aka DAVID RIVERS, DAVID)
SNYDER, aka DAVE A. SNYDER, an)
individual, and DOES 1 through)
500, inclusive.)
Defendants.)

Verified Complaint for:

- 1) Fraudulent Concealment;
- 2) Fraudulent
- 3) Misrepresentation;
- 4) Rescission; and
- 5) For Equitable Lien and to
- 6) Impress Constructive Trust
- 7) and for Order for
- 8) Reconveyance

Plaintiff PIXELON, INC. alleges as follows:

INTRODUCTORY ALLEGATIONS

1. Plaintiff, PIXELON, INC., a California corporation, (hereinafter "PIXELON") is a corporation organized under the laws of the State of California, and authorized to do business in the State of California, and is, and was, at all times material hereto,

doing business in the County of Orange and within this judicial district.

2. Defendant, DAVID KIM STANLEY, who uses and/or has used the aliases, ADAM MICHAEL FENNE and DAVID RIVERS, hereinafter ("STANLEY/FENNE/RIVERS") is an individual, who was residing in the State of California, County of San Bernardino, California until his arrest on or about Wednesday, April 12, 2000 in Wise County, Virginia. STANLEY/FENNE/RIVERS was an officer, employee and member of the Board of Directors of PIXELON.

3. Defendant DAVID SNYDER, aka known as DAVE A. SNYDER, hereinafter ("SNYDER") is an individual, residing in the State of California, County of Orange, and within this judicial district.

4. On or about April 10 or 11, 2000, in a telephone conversation between STANLEY/FENNE/RIVERS, on the one hand, and Pixelon's officers or directors, Paul Ward, Stephanie Kitess and Bart Moore, STANLEY/FENNE/RIVERS verbally identified himself for the first time to Pixelon as David Stanley, whereas he had previously used the alias Adam Michael Fenne with Pixelon. In that conversation, he stated that he relinquished, waived and gave up all rights to his stock and future monetary payments from PIXELON, under the written Severance Agreement attached hereto as Exhibit A and incorporated by this reference as though fully set forth herein.

5. Plaintiff is ignorant of the true names and capacities of the defendants sued herein as DOES 1 through 500, inclusive, and therefore sues said defendants by such fictitious names. Plaintiff will amend this Complaint to allege their true names and capacities once said names have been ascertained.

6. Plaintiff is informed and believes and based thereon alleges that the fictitiously named defendants are responsible for the occurrences herein alleged, and plaintiff's damages as herein alleged, were proximately caused by the acts and omissions of each fictitiously named defendant, and each fictitiously named defendant is legally liable to plaintiff as herein alleged.

7. Plaintiff is further informed and believes and based thereon alleges that each of the fictitiously named defendants was the agent, servant, employee, representative, alter-ego of each of the remaining defendants, and, in doing the things hereinafter alleged, was acting within the course and scope of such capacity.

8. Plaintiff is further informed and believes and on that basis alleges that Defendants STANLEY/FENNE/RIVERS and DOES 1 through 500, inclusive, were co-conspirators acting in furtherance of a common plan and scheme to defraud plaintiff as set forth herein below, or acting with actual, constructive knowledge or notice thereof and with the intent to adopt, ratify and further said conspiracy by their individual acts herein alleged.

FIRST CAUSE OF ACTION

(Fraudulent Concealment and Suppression)

(Against Defendants STANLEY/FENNE/RIVERS and DOES 1-100)

9. Plaintiff hereby incorporates paragraphs 1 through 8, inclusive, of this Complaint and re-alleges same as though fully set forth herein.

10. On or about December 27, 1999, PIRELON and STANLEY/FENNE/RIVERS entered into a written Severance Agreement ("Agreement") in Orange County, California and within this judicial district. A true and correct copy of said Agreement is attached

hereto as Exhibit A and incorporated by this reference as though set forth in full herein.

11. At all times material hereto, defendants, and each of them, despite a duty to disclose such material information to plaintiff, defendants, and each of them, fraudulently, intentionally, and wantonly concealed and suppressed from plaintiff, by way of example and not limitation, the fact that Adam Michael Fenne was an alias, and that true name and identity of the individual entering into the agreement was that of David Kim Stanley. Further, defendants, and each of them, fraudulently, intentionally, and wantonly concealed and suppressed from plaintiff that David Kim Stanley had pleaded guilty to fraud charges in Virginia and Tennessee, was a fugitive from the Commonwealth of Virginia, and was under a court order to pay full restitution to his victims. Plaintiff is informed and believes and thereon alleges that defendants' concealments and suppressions, as described above, were made with the intent to induce plaintiff to enter into the Agreement, and performing under the Agreement, which included certain payments of money and stock from plaintiff to STANLEY/FENNE/RIVERS.

12. Defendants' concealment and suppression of the facts set forth herein above was deliberate, and was intended to mislead plaintiff, and did in fact mislead plaintiff into entering into and performing the Agreement with STANLEY/FENNE/RIVERS. In so performing under the Agreement, plaintiff made payments to STANLEY/FENNE/RIVERS, which were in turn used to purchase real property in Big Bear City/Evinlake, an Bernardino County, State of California, located at 2170 Mariposa Lane, Big Bear City.

EXHIBIT 1

PAGE 20

EXHIBIT 1

PAGE 21

1 California, Legal Description: PTN N 662.80 FT OF E 1/2 NW 1/4 NW
2 1/4 SEC 29 TP 2. Attached hereto and incorporated by this
3 reference as Exhibit B is a true and correct copy of a letter dated
4 April 13, 2000 from David Snyder to the Law Office of Collins and
5 Collins, with a copy sent to PIXELON's Chairman of the Board, Paul
6 Ward, indicating that money under the Agreement was used to
7 purchase the aforementioned real property under name of the shell,
8 Land Dragon, Inc. which is actually entitled LANDRAGON DEVELOPMENT
9 CORPORATION, and is controlled by individual defendant
10 FENNE/STANLEY/RIVERS. Thereafter the property was transferred
11 without proper consideration, and with the intent to defraud and
12 defraud creditors to defendant SNYDER, who is now record owner of
13 the subject property.

14 13. As a direct and proximate result of defendants' conduct,
15 plaintiff has suffered damages in a sum of no less than \$266,000,
16 plus loss of goodwill, reputation and business.

17 14. The aforementioned acts of defendants, and each of them,
18 were willful, oppressive, fraudulent and malicious; therefore
19 plaintiff is entitled to punitive damages.

20 SECOND CAUSE OF ACTION

21 (Fraudulent Misrepresentation)

22 (Against Defendants STANLEY/FENNE/RIVERS and DOES 1-100)

23 15. Plaintiff hereby incorporates paragraphs 1 through 14,
24 inclusive, of this Complaint and re-alleges same as though fully
25 set forth herein to the extent consistent with this Cause of
26 Action.
27
28

Ward, Roger & Paulson
Attorneys at Law
1000 15th Street, Suite 1000
San Francisco, CA 94103
Phone: 415.774.1000

EXHIBIT 1

PAGE 22

1 16. In entering into the Agreement, defendants represented
2 that the identity of the person entering into the Agreement with
3 PIXELON was Michael Penne.

4 17. Plaintiff is informed and believes and thereon alleges
5 that defendants' representation to plaintiff as described in the
6 preceding paragraph was made with the intent to induce plaintiff to
7 enter into and perform the Agreement.

8 18. Plaintiff is informed and believes and thereon alleges
9 that at the time defendants made such representation and entered
10 into the Agreement, defendants made such representation knowing it
11 to be false with intent to defraud and deceive plaintiff and to
12 induce plaintiff to act in the manner alleged herein.

13 19. In reliance on the representation of defendants as
14 described herein, plaintiff entered into the Agreement and
15 performed all acts required by it to be performed under the
16 Agreement.

17 20. Had Plaintiff known the true facts, that Penne was merely
18 an alias and that the true identity of the individual they were
19 entering into said contract with was David Kim Stanley, and that
20 such individual was a convicted felon and fugitive they would have
21 never entered into the Agreement, nor performed under it, by making
22 payments to FENNE/RIVERS.

23 21. As a direct and proximate result of the acts of
24 defendants, plaintiff has suffered damages in amounts according to
25 proof, but in a sum no less than \$266,000.00.

26 22. The aforementioned acts of defendants, and each of them,
27 were willful, oppressive, fraudulent and malicious; therefore
28 plaintiff is entitled to punitive damages.

Ward, Roger & Paulson
Attorneys at Law
1000 15th Street, Suite 1000
San Francisco, CA 94103
Phone: 415.774.1000

EXHIBIT 5

PAGE 23

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THIRD CAUSE OF ACTION

(Rescission)

(Against All Defendants)

23. Plaintiff incorporates herein by reference paragraphs 1 through 22, inclusive, of this Complaint and re-alleges same as though fully set forth herein to the extent consistent with this Cause of Action.

24. Plaintiff intends service of the summons and complaint in this action to serve as notice of rescission of the Agreement, and hereby offers to restore all consideration furnished by defendant STANLEY/PENNE/RIVERS under the Agreement, on condition that all defendants restore to Plaintiff the consideration furnished by Plaintiff, as set forth in the Agreement, plus the real property that defendants purchased with the proceeds of the agreement, including but not limited to any appreciation in said property since purchase thereof.

25. As a result of entering into the written Agreement with defendants, Plaintiff has incurred and will continue to incur additional expenses as a result of entering into the Agreement, according to proof at the time of trial. Plaintiff prays leave to and this Complaint to insert the true amount of those expenses when they are ascertained.

FOURTH CAUSE OF ACTION

(For Equitable Lien, And To Impress

Constructive Trust And For

Order For Reconveyance)

(Against All Defendants)

26. Plaintiff incorporates herein by reference paragraphs 1 through 25, inclusive, of this Complaint and re-alleges same as though fully set forth herein to the extent consistent with this Cause of Action.

27. Due to the circumstances as herein alleged, Defendant SNYDER is holding title to the property located at located at 2170 Mariposa Lane, Big Bear City, California, Legal Description: PTN N 662.80 FT OR E 1/2 NW 1/4 NW 1/4 SEC 29 TP 2. In a constructive trust for the benefit of Plaintiff PIXELON.

28. Plaintiff is informed and believes that Defendant SNYDER and DOES 1-100 has or will sell transfer or assign the property for the benefit of defendants and each of them and to the detriment of Plaintiff PIXELON. Plaintiff is informed and believes that Defendant SNYDER and DOES 1-100 has or will take the proceeds from the sale of the property and invest same in real or personal property, and other tangible and intangible items and assets, or otherwise dissipate it in hindrance of creditors, including Plaintiff PIXELON.

29. Plaintiff is informed and believes that while Defendants, or their agents, representatives, or affiliates, have held the title to property and its proceeds they have received benefits therefrom in an amount unknown to Plaintiff. Defendants should be required to account fully for all proceeds and profits.

30. By reason of the fraudulent manner in which defendants retained the subject property and/or its proceeds, Defendants are involuntary trustees holding the real and personal property and profits therefrom in a constructive trust for Plaintiff with the duty to reconvey the same to Plaintiff PIXELON forthwith.

EXHIBIT

PAGE 24

EXHIBIT

PAGE 25

WHEREFORE, Plaintiff prays for judgment against Defendants as follows:

1. For an order barring STANLEY/FENNE/RIVERS, and SNYDER, their agents, employees, representatives, and attorneys from any conveyance or encumbrance of any real property, without prior consent of the Court;

2. For an order barring STANLEY/FENNE/RIVERS, and SNYDER, and their agents, employees, representatives and attorneys from disposing of any assets, including cash, other than in the ordinary course of business and for value, without the prior consent of the Court;

3. For an order barring STANLEY/FENNE/RIVERS, and SNYDER, and their agents, employees and attorneys from removing any money or property from the United States without the prior consent of the Court;

4. For an order that plaintiff be permitted to file a lis pendens against all real property standing in the name of Defendant STANLEY/FENNE/RIVERS, SNYDER, and LandDragon Development Corp. as of the date this action was first filed, and as to any transferee thereof for less than value after said date.

5. For an order requiring Defendant STANLEY/FENNE/RIVERS to account for and deposit with the Clerk of the Court all sums of money received by him directly or indirectly from PIXELON, INC. from the execution of the Severance Agreement with PIXELON, the present.

COO, BOHM & FRANCIS
Attorneys at Law
1000 17th Street, N.W.
Washington, D.C. 20036
Phone: 202-331-1000

EXHIBIT 1

PAGE 26

6. That an order be made declaring the real property located at 2170 Mariposa Lane, Big Bear City, California 92314, legal description: PTN N 662.80 FT OF E 1/2 NW 1/4 NW 1/4 SEC 29 TP 2, personal property and cash, and any other asset or proceeds therefrom, which were purchased with the money paid under the severance agreement, be held in trust for plaintiff, and/or equitable liens be established thereon to the extent wrongfully obtained funds from plaintiff were used therefor, for reconveyance of the subject real property to plaintiff PIXELON, for foreclosure of said lien, for an order requiring the assets to be sold for the payment of the lien, and for payment of the amount of the lien from the proceeds from the sale.

7. On All Causes of Action, compensatory damages in a sum no less than \$266,000.00.

8. On the Third Cause of Action, that defendant be ordered to pay plaintiff the consideration paid by plaintiff for the Agreement, plus interest at the legal rate from December 1, 1999 to the date of rescission, and the sums paid, or which will be paid by plaintiff pursuant to the Agreement with interest thereon at the legal rate from December 27, 1999 to the date of rescission.

9. On All Causes of Action, punitive damages.

10. For costs incurred herein, including attorney's fees.

11. For prejudgment interest.

12. For such other and further relief as the Court deems just and proper.

DATED: May 17, 2000

WOOD, BOHM & FRANCIS, LLP

By _____

EXHIBIT 1

PAGE 27

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VERIFICATION

I have read the foregoing Verified Complaint for: Fraudulent
Concealment; Fraudulent Misrepresentation; Rescission; and For
Equitable Lien, And To Impress Constructive Trust And For Order For
Reconveyance, and know its contents.

I am the Chairman of the Board of Pixelon, Inc., which is the
Plaintiff in this action. The matters stated in the foregoing
document are true of my own knowledge.

Executed on this May 17, 2000, at San Juan Capistrano,
California.

I declare under penalty of perjury under the laws of the
State of California that the foregoing is true and correct.


Paul C. Ward, Jr.

STATUS OF PIXELON'S PATENT APPLICATIONS
AS OF FEBRUARY 7, 2000

① 17954-11
(3) Pending

EXHIBIT 3
PAGE 33

| OWD MATTER NO. | TITLE | SERIAL NO. | FILING DATE | ASSIGNMENT TO PIXELON FILED | STATUS | |
|-------------------|---|---------------|----------------|--------------------------------|------------------------|----------|
| 17954-11 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS | 09/351,618 | July 12, 1999 | Yes | Waiting examination | U16471 |
| 17954-12 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS | 09/351,028 | July 12, 1999 | Yes | Waiting examination | U16471 |
| 17954-13 | INTERNET BROADCASTING SYSTEM UTILIZING CACHED AND ENCRYPTED MULTIMEDIA CONTENT | 09/428,413 | Oct. 28, 1999 | Yes | Waiting examination | Planner |
| 17954-14 | INSTANTANEOUS VIEWER RESPONSE SYSTEM AND METHOD FOR INTERNET BROADCASTING | 09/428,394 | Oct. 28, 1999 | Yes | Waiting examination | Feedback |
| 17954-15 | DYNAMIC INSERTION OF TARGETED SPONSORED VIDEO MESSAGES INTO MULTIMEDIA INTERNET BROADCASTS | 09/428,387 | Oct. 28, 1999 | Yes | Waiting examination | Planner |
| 17954-19 | INTERNET BROADCAST SYSTEM | 09,429,363 | Oct. 28, 1999 | Yes | Waiting examination | * 15m |
| 17954-21 | REVERSE SPECTRAL RESPONSE COMPENSATION OF A VIDEO SIGNAL | 09/428,392 | Oct. 28, 1999 | Yes | Waiting examination | U16471 |
| 17954-22 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS | 09/428,395 | Oct. 28, 1999 | Yes | Waiting examination | U16471 |
| 17954-23 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS | 09/428,396 | Oct. 28, 1999 | Yes | Waiting examination | U16471 |

Form W-2 Wage and Tax Statement 1999

EMPLOYER RECEIPTS COPY - DO NOT FILE

Case

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Form W-2 Wage and Tax Statement 1998

EMPLOYER REFERENCE COPY - DO NOT FILE

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| 0000-7942 000051-000100 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 |
| 0000-7942 000051-000100 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 |
| 0000-7942 000051-000100 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 |
| 0000-7942 000051-000100 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 00 |
| 0000-7942 000051-000100 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | | | | | |

Form W-2 Wage and Tax Statement 1998

EMPLOYER REFERENCE COPY - DO NOT FILE

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| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 | 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 | 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 | 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 | 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13</ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

☐ VOID ☐ CORRECTED

| | | | |
|--|--|---|--|
| PAYER'S name, street address, city, state, ZIP code, and telephone no. | | OMB No. 1545-0115 | |
| PIXELON.COM | | 1999 | |
| 31732 RANCHO VIEJO RD. | | | |
| SUITE "D" | | | |
| SAN JUAN CAP., CA 92675 | | | |
| 949-248-4655 | | | |
| PAYER'S Federal identification number | | Form 1099-MISC | |
| 33-0800713 | | 77-0426289 | |
| RECIPIENT'S name | | 1 Flaming boat proceeds | |
| LOCO | | \$ | |
| LOCO LABS | | 7 Nonemployee compensation | |
| Street address (including apt. no.) | | \$ 6,033.709.57 | |
| 1347 THE ALAMEDA, # 7 | | 8 Payee must direct sales of products to a buyer (recipient) for resale | |
| City, state, and ZIP code | | 10 Crop insurance proceeds | |
| SAN JOSE, CA 95126 | | \$ | |
| Account number (optional) | | 11 State income tax withheld | |
| | | \$ | |
| 2nd TIN box | | 12 State/Payer's state number | |
| <input type="checkbox"/> | | 13 | |

Form 1099-MISC

Department of the Treasury - Internal Revenue Service

☐ VOID ☐ CORRECTED

| | | | |
|--|--|---|--|
| PAYER'S name, street address, city, state, ZIP code, and telephone no. | | OMB No. 1545-0115 | |
| PIXELON.COM | | 1999 | |
| 31732 RANCHO VIEJO RD. | | | |
| SUITE "D" | | | |
| SAN JUAN CAP., CA 92675 | | | |
| 949-248-4655 | | | |
| PAYER'S Federal identification number | | Form 1099-MISC | |
| 33-0800713 | | 77-0426289 | |
| RECIPIENT'S name | | 1 Flaming boat proceeds | |
| FRED MILLER | | \$ | |
| Street address (including apt. no.) | | 7 Nonemployee compensation | |
| 22835 MINONA DRIVE | | \$ 4,308.00 | |
| City, state, and ZIP code | | 8 Payee must direct sales of products to a buyer (recipient) for resale | |
| GRAND TERRACE, CA 92313 | | 10 Crop insurance proceeds | |
| Account number (optional) | | 11 State income tax withheld | |
| | | \$ | |
| 2nd TIN box | | 12 State/Payer's state number | |
| <input type="checkbox"/> | | 13 | |

Form 1099-MISC

Department of the Treasury - Internal Revenue Service

☐ VOID ☐ CORRECTED

| | | | |
|--|--|---|--|
| PAYER'S name, street address, city, state, ZIP code, and telephone no. | | OMB No. 1545-0115 | |
| PIXELON.COM | | 1999 | |
| 31732 RANCHO VIEJO RD. | | | |
| SUITE "D" | | | |
| SAN JUAN CAP., CA 92675 | | | |
| 949-248-4655 | | | |
| PAYER'S Federal identification number | | Form 1099-MISC | |
| 33-0800713 | | 77-0426289 | |
| RECIPIENT'S name | | 1 Flaming boat proceeds | |
| PATRICIA MODICA | | \$ | |
| Street address (including apt. no.) | | 7 Nonemployee compensation | |
| 360 LILLY POND ROAD | | \$ 1,125.00 | |
| City, state, and ZIP code | | 8 Payee must direct sales of products to a buyer (recipient) for resale | |
| BARKSVILLE, NY 12768 | | 10 Crop insurance proceeds | |
| Account number (optional) | | 11 State income tax withheld | |
| | | \$ | |
| 2nd TIN box | | 12 State/Payer's state number | |
| <input type="checkbox"/> | | 13 | |

Form 1099-MISC

EXHIBIT 5

ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS AGREEMENT

This Assignment is made and entered into on July 14, 1999, by and between Assignor, ADAM MICHAEL FENNE ("FENNE") and Assignee, PIXELON, Inc. ("PIXELON"), a California corporation, with its principal place of business at 31726 Rancho Viejo Road, Suite 121, San Juan Capistrano, California 92675 regarding intellectual property rights of FENNE under the following terms and conditions:

1. INTENT OF ASSIGNMENT

1.1. For full and valuable consideration, receipt of which is hereby acknowledged, FENNE hereby sells, transfers and assigns to PIXELON all of FENNE's right, title and interest in his inventions since January 1, 1997.

2. DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

2.1. "Inventions" means all discoveries, developments, designs, improvements, inventions, formulas, software programs, processes, techniques, know-how, negative know-how, data, research, techniques, and technical data (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect, and enforce those proprietary interests) that are related to or useful in the Company's present or future business or result from use of property owned, leased or contracted for by the Company. "Inventions" shall also include anything that derives actual or potential economic value from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use.

2.2. "Proprietary Information" means information (a) that is not known by actual or potential competitors of PIXELON or is generally unavailable to the public, (b) that has been created, discovered, developed or otherwise become known to PIXELON or in which property rights have been assigned or otherwise conveyed to PIXELON and (c) that has material economic value or potential material economic value to PIXELON's present or future business. "Proprietary Information" shall include trade secrets (as defined under California Civil Code section 3426.1(d) and all other discoveries, developments, designs, improvements, inventions, formulas, software programs, processes, techniques, know-how, negative know-how, data, research, techniques, technical data, customer and supplier lists, and any modifications or enhancements of any of the foregoing, and all program, marketing, sales, or other financial or business information disclosed to PIXELON by FENNE, whether directly or indirectly in writing or orally or by drawings or observation, which has actual or potential economic value.

2.3. "Rights" means all patents, trademarks, service marks and copyrights and other rights pertaining to Proprietary Information, Inventions, or both.

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EXHIBIT 5
PAGE 32

3. INVENTION ASSIGNMENT

3.1. All Proprietary Information and Inventions developed by FENNE from January 1, 1997 through the completion of FENNE's relationship to Pixelon, except those listed in Exhibit "B", shall be the sole property of PIXELON and PIXELON shall be the sole owner of all rights.

3.2. FENNE assigns to PIXELON all rights that FENNE may have or acquire and any other rights that he may have or acquire pertaining to Proprietary Information and Inventions.

4. PROPERTY RIGHT REGISTRATIONS

4.1. FENNE shall assist PIXELON or any person designated by it in every proper way (but at PIXELON's expense) to obtain and from time to time to enforce the Rights including registrations and applications for patents, copyrights, or other intellectual property rights in any and all countries.

4.2. Exception to Assignment of Inventions: Any provision in the Agreement requiring FENNE to assign his rights in all inventions shall not apply to an invention that qualifies fully under the provisions of California Labor Code § 2870, the terms of which are set forth on Exhibit "A" to this Agreement.

4.3. FENNE has listed in Exhibit "B" all inventions or improvements relevant to the subject matter or Employment that have been made or conceived of or first reduced to practice by him alone or jointly with others before January 1, 1997 and that are excluded from the operation of this Agreement.

5. REPRESENTATIONS AND WARRANTIES

FENNE warrants and represents that the following statements are true to FENNE's knowledge and belief:

(a) This Assignment is exclusive and made solely to PIXELON. The inventions have not been sold or assigned to any other party, except if notice of other assignment has been given to PIXELON, prior to the execution of this Assignment, specifically describing the other assignment;

6. EFFECT ON HEIRS AND SUCCESSORS

6.1 This Assignment and each of its provisions shall be binding on and shall inure to the benefit of the respective heirs, devisees, legatees, executors, administrators, trustees, successors and assigns of the parties to this Assignment.

EXHIBIT 5
PAGE 33

7. AMENDMENTS TO ASSIGNMENT

7.1 This Assignment may be amended only by a writing signed by the party against whom or against whose successors and assigns enforcement of the change is sought.

8. EFFECT OF PARTIAL INVALIDITY

8.1 If any term or provision of this Assignment or any application thereof shall be held invalid or unenforceable, the remainder of this Assignment and any application of the terms and provisions shall not be effected thereby, but shall remain valid and enforceable.

9. CONTROLLING LAW

The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of California.

10. ATTORNEY'S FEES

In any action arising from the alleged breach of this Agreement, or to enforce this Agreement, the final prevailing party will recover its reasonable attorneys' fees, costs, expenses, and any injunction prohibiting such wrongful conduct from engaging in said manner, or specifically enforcing the terms of this Agreement, as the case may be. Any litigation concerning this agreement shall be venued in Orange County, California.

11. FAILURE TO OBJECT

The failure of either party to this Agreement to object to or to take affirmative action with respect to any conduct of the other which is in violation of the terms of this Agreement, shall not be construed as a waiver of that conduct or any future breach or subsequent wrongful conduct.

12. VALIDITY OF PROVISIONS

If any part, term or provision of this Agreement is declared and determined by any court or arbitrator to be illegal or invalid, such declaration and determination shall not effect the validity of the remaining parts, terms or provisions. Any illegal or invalid part, term or revision shall be deemed not a part of this Agreement.

13. REPRESENTATION

All parties have been advised and have had an opportunity to consult with legal counsel of their choosing regarding the force and effect of the terms set forth herein. This Agreement shall be deemed to be jointly prepared by the parties and therefore any ambiguity or uncertainty shall be interpreted accordingly.

14. COUNTER-PARTS

This Agreement may be executed in two or more counter-parts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

15. NOTICE

All notices pertaining to this Agreement shall be in writing and shall be transmitted either by personal hand delivery, or through the facilities of the United States Postal Service, certified and return receipt requested.

16. HEADINGS

The various headings in this Agreement are inserted for convenience only and shall not affect this Agreement or any portion thereof.

NOW THEREFORE, for full and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, FENNE hereby assigns, transfers and conveys to PIXELON all of FENNE's right, title, and interest in all Inventions, Proprietary Information and Rights developed during the period January 1, 1997 through the completion of FENNE's relationship with PIXELON, with the exception of those listed in Exhibit "B" and made a part hereof. This Assignment may be executed in multiple counterparts, each of which shall constitute an original, and together shall constitute one and the same agreement.

The parties have executed this Agreement on the dates indicated opposite their signatures.

DATED:

7/14/99

PIXELON, INC.

By:

Adam Michael Fenne
Its *CEO*

ADAM MICHAEL FENNE

DATED:

7/14/99

By:

Adam Michael Fenne
ADAM MICHAEL FENNE

43270011v02.mktg-49

EXHIBIT A
CALIFORNIA LABOR CODE SECTION 2870

Section 2870 of the California Labor Code provides as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign or offer to assign any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employee's equipment, suppliers, facilities, or trade secret information except for those inventions that either:

- (1) Relate at the time of conception or reduction to practice of the invention to the employer's business or actual or demonstrably anticipated research or development of the employer; or
- (2) Result for any work performed by the employee for the employer.
- (3) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

EXHIBIT B
EXISTING INVENTIONS AND IMPROVEMENTS

The following is a list of all inventions or improvements relevant to the subject matter of Employment by PIXELON that have been made or conceived of or first reduced to practice by FENNE, alone or jointly with others before Employment by PIXELON:

- 1.
- 2.
- 3.
- 4.

OPTIONAL FUTURE ASSIGNMENT

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (the "Agreement") is made as of this 27th day of December 1999, by and between Pixelon, Inc., a California corporation (the "Company"), and Adam Michael Fenne ("Fenne").

RECITALS:

- A. The Company is primarily engaged in the business of developing and operating an Internet broadcasting network;
- B. Fenne is the founder of the Company and has agreed to resign as an officer, employee and member of the Board of Directors of the Company;
- C. The Company wishes to accept Fenne's resignation; and
- D. As a condition of the Company entering into this Agreement with Fenne and executing a general release in favor of Fenne, Fenne has agreed to restrict his ability to enter into competition with the Company and to execute a general release in favor of the Company.

NOW, THEREFORE, in consideration of the foregoing and the agreements, covenants and conditions set forth herein, Fenne and the Company hereby agree as follows:

ARTICLE I

SEVERANCE BENEFITS

1.1 Purchase of Shares.

1.1.1 Fenne represents, warrants and covenants to the Company that he owns 3,000,000 shares of the Company's common stock free and clear of all liens and encumbrances. For aggregate consideration of six hundred and sixty thousand dollars (\$660,000), the Company shall purchase the following from Fenne: (i) 2,000,000 of the 3,000,000 shares of common stock owned by Fenne; and (ii) any right, title or interest Fenne may have in any capital stock, warrants, options or other securities of the Company other than the 1,000,000 shares of the Company's common stock which Fenne will continue to own after the purchase described in this Section 1.1.1. Such securities shall include, but not limited to, an option to purchase four million one hundred thousand (4,100,000) shares of the Company's common stock and a warrant previously issued to Fenne under which Fenne was entitled to purchase three million (3,000,000) shares of the Company's Common Stock at a price of \$4.50 per share, exercisable once the Company has been a public company for one year and has maintained an average share price of \$15.00 for one year for. Upon

execution of this Agreement Fenne shall deliver to the Company 2,000,000 shares of common stock and cause title to such shares to transfer to the Company. In addition, Fenne shall deliver any documents reflecting ownership in any options or warrants granted to Fenne by the Company.

1.1.2 Fenne acknowledges that he has previously received nine thousand dollars (\$9,000) of the \$660,000 purchase price described in Section 1.1.1, in cash, from the Company, and that the payment for the securities to be purchased pursuant to Section 1.1.1 shall be reduced by this \$9,000. The payments to be made by the Company to Fenne for the purchase of the securities described in Section 1.1.1 above shall be further reduced by fifty seven thousand four hundred and ninety-three dollars (\$57,493), which represents the amount owed by Fenne to the Company for payment of personal expenses, including rent to be paid by the Company on Fenne's apartment for the month of January 2000.

1.1.3 The Company shall make payments totaling \$593,507 to Fenne, representing the \$660,000 consideration for the purchase of Fenne's securities pursuant to Section 1.1.1 above, reduced by the \$9,000 previously paid by the Company to Fenne and the \$57,493 owed by Fenne to the Company for the payment of personal expenses described in Section 1.1.1 above. The Company shall make such payments according to the following schedule:

- (a) Two hundred and sixty-six thousand dollars (\$266,000) on December 27, 1999;
- (b) Fifteen thousand dollars (\$15,000) per month, to be paid on the 15th of each month from January 2000 to September 2001, inclusive;
- (c) Twelve thousand, five hundred and seven dollars (\$12,507) on October 15, 2001.

Provided, however, that the payments described above are expressly conditioned on Fenne's full compliance with the terms of this Agreement. Fenne shall forfeit any right to such payments if he commits any material breach of this Agreement, but the Company shall retain all right, title and interest in the 2,000,000 shares conveyed transferred to the Company pursuant to Section 1.1.1 above notwithstanding Fenne's forfeiture of his right to any or all of such payments.

1.2 Return of Equipment. The Company agrees to return to Fenne certain audio equipment which was maintained in Fenne's office at the Company and which was purchased by Fenne prior to the formation of the Company, including a Neuman microphone and JBL speakers.

1.3 Severance Agreement with David Snyder. The Company shall enter into a severance agreement with David Snyder under which Mr. Snyder receives a severance payment of ten thousand dollars (\$10,000) per month for six months, with payments to begin on November 30, 1999 and to be made semi-monthly and the Company agrees to pay up to fifteen thousand dollars (\$15,000) in verifiable business expenses relating to the Company incurred by Mr. Snyder.

1.4 Payment. Any severance benefits paid under this Agreement shall be subject to such withholdings and deductions by the Company as are required by law.

ARTICLE II

FENNE'S OBLIGATIONS

2.1 Resignation. Upon execution of this Agreement, the Company accepts Fenne's resignation as a member of the Company's board of directors and as the Chief Technology Officer and an employee of the Company, effective as of December 16, 1999, the date Fenne submitted his resignation to the Company.

2.2 Assignment of Leases. Fenne agrees to accept an assignment from the Company of the leases, including any and all liabilities thereunder, on Fenne's personal residence and the Lincoln Navigator used by Fenne, effective January 1, 2000. Fenne shall, if necessary to effectuate the assignment of such leases and/or the release of the Company from any and all obligations thereunder, grant to the lessors a security interest in Fenne's right to the payments described in Section 1.1.1 above. If the lessor of either such lease will not permit the Company to full assign its rights and obligations under a lease to Fenne, the Company shall deduct the total remaining monetary obligations owed by the Company under the lease or leases which cannot be assigned from the payments to Fenne described in Section 1.1.1 above. Such deductions shall be made from the payments in the order they come due until the total remaining monetary obligations under such lease or leases have been deducted.

2.3 Agreement with Troy Kisky. Fenne will use his best efforts to assist the Company in entering into a consulting agreement with Troy Kisky with a term of three years under which Mr. Kisky provides consulting services with regard to the Pixelon Player in consideration for payment of \$10,000 per month for twenty (20) hours per week of consulting services, and two hundred and fifty dollars (\$350) per hour for services provided in excess of twenty hours per week. Fenne shall also use his reasonable efforts to facilitate communications between Kisky and the Company and to ensure that Kisky fully performs the consulting services pursuant to the consulting agreement.

2.4 Cooperation with Company. For a period of three (3) years from the date of this Agreement, Fenne shall provide his full cooperation to the Company in connection with the development or maintenance of the Company's technology, and shall make himself reasonably available by telephone to respond to inquiries by the Company or its officers, employees or agents relating to such technology, provided, however, that Fenne shall not be obligated to expend more than twenty (20) hours in any one calendar month in responding to such inquiries.

2.5 Prohibited Activities. Fenne acknowledges that upon execution of this Agreement he will not be an employee, representative or agent of the Company for any purpose. Fenne acknowledges that upon execution of this Agreement he will have no authority to engage in, and will

not attempt to engage in, any activities on behalf of the Company, including but not limited to the following:

- (a) hiring or firing employees or independent contractors, including employees or independent contractors providing temporary services;
- (b) entering into any contracts, whether oral or written, on behalf of any; or
- (c) communicating with third parties on behalf of the Company.

In addition, beginning on the date of this Agreement Fenne agrees not to contact, by telephone, e-mail, in person, in writing, or any other means, any employees or directors of the Company other than Brian MacDonald, Bart Moore or Paul Ward, provided, however, that Fenne may communicate with employees or directors of the Company other than Brian MacDonald, Bart Moore or Paul Ward if such communications are not initiated by Fenne.

2.6 Lock-up. In the event that the Company shall make a public offering of the Company's Common Stock, Fenne, on behalf of Fenne and any successor in interest to any shares of the Company's capital stock owned by Fenne, agrees that such shares shall not be sold or otherwise transferred by Fenne or by any successor in interest of Fenne for a period of three hundred and sixty (360) days from the date of the initial closing of such public offering, unless waived by the Company. The certificates for the Shares issuable hereunder shall contain the following restrictive legends:

"These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of a registration statement in effect with respect to the securities under such Act or an opinion of counsel satisfactory to the Company that such registration statement is not required or unless sold pursuant to Rule 144 of such Act.

The shares represented by this certificate shall not be transferable for a period of three hundred and sixty (360) days following the initial closing of an initial public offering of the Company's common stock unless such restriction is waived in writing and delivered to the Company's transfer agent by the Company."

2.7 Delivery of Communications and Agreements. Upon execution of this Agreement Fenne shall deliver to the Company any and all e-mail, correspondence or other communications of or pertaining to the Company or any of its officers, directors, employees, or any third parties with which it has done business sent or received by Fenne at any time from January 1, 1997 to November 13, 1999, regardless of the medium upon which it is stored, including, but not limited to, all e-mails sent or received by Fenne at the Company's offices, provided, however, that Fenne shall be obligated to deliver e-mail, correspondence or other communications which are strictly confidential and which do not relate in any way to the Company, its officers, directors, employees or any parties with which it has done or sought to do business.

4

2.8 Assignment of Rights to Domain Names and URLs. Fenne hereby assigns to the Company any rights, title and interest he may have in any domain name, Internet address, uniform resource locator, or other name or identifier of any type whatsoever relating to an Internet website or other location on the Internet relating to the Company, including but not limited to "Pixelon.com" and "Pixelon.net," provided, however, that Fenne may retain any rights he has in the domain name "lazarventures.com."

2.9 Provision of Information. Fenne shall provide all information required by the Company to comply with any and all regulatory obligations to which it may be subject. Fenne shall provide the Company with all information required under this Section 2.9 within five (5) days of a request by the Company for such information. However, should Fenne be unable to provide the security number, he shall notify the Company in writing within fifteen business days, and then specify the nature and extent of the delay. *ARTICLE III*

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

3.1 Non-Disclosure of Confidential Information. Fenne hereby acknowledges and agrees that the duties and services to be performed by Fenne under this Agreement are special and unique and that as a result of his prior employment by the Company and by his retention hereunder, Fenne has and will acquire, develop and use information of a special and unique nature and value that is not generally known to the public or to the Company's industry, including but not limited to, certain records, secrets, documentation, software programs, source codes, technological information or innovations (including but not limited to any of the Company's intellectual property, know-how, price lists, ledgers and general information, employee records, mailing lists, customer lists, customer profiles, prospective customer lists, accounts receivable and payable ledgers, financial and other records of the Company or its affiliates, information regarding its customers or principals, and other similar matters (all such information being hereinafter referred to as "Confidential Information"). Fenne further acknowledges and agrees that the Confidential Information is of great value to the Company and its affiliates and that the restrictions and agreements contained in this Agreement are reasonably necessary to protect the Confidential Information and the goodwill of the Company. Accordingly, Fenne hereby agrees that:

3.1.1 Fenne will not, at any time, directly or indirectly, except as authorized by the Company for the benefit of the Company, divulge to any person, firm, corporation, limited liability company, or organization, other than the Company (hereinafter referred to as "Third Parties"), or use or cause or authorize any Third Parties to use, the Confidential Information, except as required by law; and

3.1.2 Upon the execution of this Agreement, Fenne shall deliver or cause to be delivered to the Company any and all Confidential Information, including drawings, notebooks, keys, data and other documents and materials belonging to the Company or its affiliates which is in his possession or under his control relating to the Company or its affiliates, or the Business of the Company (as defined herein), regardless of the medium upon

5

which it is stored, or any other property of the Company or its affiliates which is in his possession or under his control, including, but not limited to, the source code for the Pixelon Player. Fenne recognizes that the unauthorized taking of any of the Company's trade secrets is a crime under Section 499(c) of the California Penal Code, and is punishable by imprisonment in a state prison or in a county jail for a time not exceeding one year, or by a fine not exceeding five thousand dollars (\$5,000), or both such fine and imprisonment. Fenne further recognizes that such unauthorized taking of the Company's trade secrets may also result in civil liability under the Uniform Trade Secrets Act, California Civil Code Section 3426, et seq., and that a willful taking may result in an injunction and an award against Fenne for the Company's attorney's fees and triple the amount of the Company's damages.

3.2 Restictive Covenants.

3.2.1 Non-Competition Covenant. Fenne acknowledges that the covenants set forth in this Section 3.2 are reasonable in scope and essential to the preservation of the Business of the Company. Fenne also acknowledges that he will be able to remain gainfully employed in such manner and to the extent as to provide a standard of living for himself, the members of his family and the others dependent upon him of at least the level to which he and they have become accustomed and may expect, notwithstanding the enforcement of the covenant set forth in this Section 3.2.1. In addition, Fenne acknowledges that the Company has obtained an advantage over its competitors as a result of its name, location and reputation that is characterized by near permanent relationships with customers, principals and other contacts which it has developed at great expense. Furthermore, Fenne acknowledges that competition by him following the termination of his employment with the Company would impair the operation of the Company beyond that which would arise from the competition of an unrelated third party with similar skills. Fenne hereby agrees that he shall not, for a period of two (2) years from the date of this Agreement, directly or indirectly, engage in or become directly or indirectly interested in any proprietorship, partnership, firm, trust, company, limited liability company or other entity, other than the Company (whether as owner, partner, trustee, beneficiary, stockholder, member, officer, director, employee, independent contractor, agent, servant, consultant, lessor, lessee or otherwise) that competes with the Company in the Business of the Company in the Restricted Territory (as each term is defined herein), other than an interest in a company listed on a recognized stock exchange in an amount which does not exceed five percent (5%) of the outstanding stock of such corporation, except that Fenne may engage in his current business of building an Internet satellite distribution network. For purposes of this Agreement, (i) the term "Business of the Company" shall include all business activities and ventures related to the development or use of technology for the transmission of audio and video content over the Internet, and the broadcasting of audio and video content over the Internet; and (ii) the term "Restricted Territory" means the United States of America and the continent of North America.

3.2.2 Non-Solicitation Covenant. Fenne hereby covenants and agrees that for a period of two (2) years from the date of this Agreement, he shall not (i) solicit for the purpose of developing technology used for the transmission of audio and video content over the Internet or for the broadcasting of audio or video content over the Internet, or endeavor to entice away from the Company any person, firm, corporation, limited liability company or other entity that was a customer of the Company at any time prior to the date of this Agreement or within the two-year period following the date of this Agreement, or (ii) induce, attempt to induce or hire any employee of the Company, other than Troy Kistly, to leave the employ of the Company, or in any way interfere with the relationship between any such employee and the Company.

3.3 Remedies.

3.3.1 Injunctive Relief. Fenne expressly acknowledges and agrees that the Business of the Company is highly competitive and that a violation of any of the provisions of Sections 3.1 or 3.2 would cause immediate and irreparable harm, loss and damage to the Company not adequately compensable by a monetary award. Fenne further acknowledges and agrees that the time periods and territorial areas provided for herein are the minimum necessary to adequately protect the Business of the Company, the enjoyment of the Confidential Information, and the goodwill of the Company. Without limiting any of the other remedies available to the Company at law or in equity, or the Company's right or ability to collect money damages, Fenne agrees that any actual or threatened violation of any of the provisions of Sections 3.1 or 3.2 may be immediately restrained or enjoined by any court of competent jurisdiction, and that a temporary restraining order or emergency, preliminary or final injunction may be issued in any court of competent jurisdiction, upon twenty-four (24) hour notice and without bond. Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Section shall survive the termination of this Agreement.

3.3.2 Enforcement. It is the desire of the parties that the provisions of Sections 3.1 or 3.2 be enforced to the fullest extent permissible under the laws and public policies in each jurisdiction in which enforcement might be sought. Accordingly, if any particular portion of Sections 3.1 or 3.2 shall ever be adjudicated as invalid or unenforceable, or if the application thereof to any party or circumstance shall be adjudicated to be prohibited by or invalidated by such laws or public policies, such section or sections shall be (i) deemed amended to delete therefrom such portions so adjudicated or (ii) modified as determined appropriate by such a court, such deletions or modifications to apply only with respect to the operation of such section or sections in the particular jurisdictions so adjudicating on the parties and under the circumstances as to which so adjudicated.

ARTICLE IV

PROPRIETARY INFORMATION

4.1 Definitions. As used in this Agreement, the term "Proprietary Information" means information that has been created, discovered, developed or otherwise become known to the Company (including without limitation information created, discovered, developed or made known by Fenne from the period of January 1, 1997 through the date of this Agreement) and/or in which property rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the Company's Business. By way of illustration, but not limitation, Proprietary Information includes trade secrets, processes, formulas, data and know-how, improvements, inventions, techniques, marketing plans, pricing of products, strategies, forecasts, customer lists and identity of suppliers of research or production services, including development of building blocks.

As used in this Agreement, the term "Inventions" shall mean all improvements, inventions, formulas, processes, techniques, know-how and data, whether or not patentable, made or conceived or reduced to practice or learned by Fenne, either alone or jointly with others, during the period of January 1, 1997 to the date of this Agreement which are related to or useful in the Business of the Company, or result from tasks performed by Fenne for the Company or which result from use or premises owned, leased or contracted for by the Company.

4.2 Assignment of Rights to Proprietary Information and Inventions. Subject to Section 4.4 below, all Proprietary Information and Inventions shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents and other rights in connection therewith. Fenne hereby assigns to the Company any and all rights, title and interest he may have or acquire in such Proprietary Information and Inventions.

4.3 Cooperation with Patent Applications. Fenne agrees to, at the request of the Company, execute any and all applications for letters patent for any Inventions which were invented in whole or in part by Fenne, and for which applications are pending or have been filed on the Company's behalf, or which were invented during the time period of January 1, 1997 to the date of this Agreement and which relate to the Company's Business but for which applications have not been filed, and to execute any and all other papers and documents and do all other and further lawful acts that the Company may deem necessary or desirable to obtain letters patent on the Inventions, to secure the grant of such letters patent and to perfect and vest in the Company the entire right, title and interest in the Inventions, applications and letters patent.

Fenne agrees to execute such documents as the Company may deem necessary or appropriate to add and/or delete named inventor(s) to/from the patent applications which have been filed in the Company's name and which name Fenne as an inventor, in order to reflect the correct ownership and inventors of those patent applications as defined under the applicable laws in the opinion of the Company's patent counsel.

8

EXHIBIT 6
PAGE 45

Fenne's obligation to assist the Company in obtaining and enforcing patents for Inventions in any and all countries is independent of his employment with or ownership in the Company, and shall continue for a period of fifteen (15) years from the date of this Agreement.

4.4 California Labor Code. The Company's right with regard to certain things invented or co-invented by Fenne are subject to Sections 2870-2872 of the California Labor Code, under which Fenne has no obligation to assign rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Fenne's own time, and (a) which does not relate (1) to the business of the Company or (2) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Fenne for the Company.

4.5 Delivery of Material. Fenne shall, upon execution of this Agreement, return to the Company any and all tangible items of any nature relating to any intellectual property of the Company, including, but not limited to, any and all copies of code, including source code, for any programs developed, in the process of development or used by the Company or any of its employees or agents since January 1, 1997.

ARTICLE V

RELEASE

5.1 Release. The Company and Fenne, for itself or himself, and for its or his heirs, personal or legal representatives, executors, successors and assigns, shareholders, directors, officers, affiliates and agents, hereby releases and forever discharges the other and its or his respective heirs, personal or legal representatives, executors, successors and assigns, shareholders, directors, officers and agents, of and from any further obligation, liability, claim, demand and cause of action of every kind and nature, including but not limited to any claims arising out of Fenne's previous employment with or ownership interest in the Company, which he or it has, had or may have against the other, whether based on statute, common law, rule or regulation, whether in law or in equity, whether liquidated or unliquidated, whether known or unknown, for, upon, or by reason of, or by reason of or thing, whatsoever, on or at any time before the date of this Agreement. Notwithstanding the foregoing, the release granted by the Company in favor of Fenne pursuant to this Section 5.1 is expressly conditioned on Fenne's full compliance with the terms of this Agreement and shall be void ab initio if Fenne breaches this Agreement.

5.2 Waiver of Code Provisions. The Company and Fenne hereby acknowledge and agree that it is their intention that this Agreement shall be effective as a full and final accord and satisfaction and settlement of and as a bar to each and every claim, demand, debt, account, reckoning, liability, obligation, cost, expense, lien, action and cause of action, heretofore referred to and released, which either party hereto has, or has had against the other party hereto. In connection with such waiver and relinquishment, the Company and Fenne hereby acknowledge that they are aware that they or their attorney may hereafter discover facts different from or in addition

9

EXHIBIT 6
PAGE 46

to the facts which they or their attorney now know or believe to be true with respect to the subject matter of this Agreement, but that it is their intention to fully, finally, absolutely and forever settle any and all claims, disputes and differences which now exist or heretofore have existed between either party to this Agreement, and that in furtherance of such intention the mutual releases herein given shall be and remain in effect as full and complete general mutual releases notwithstanding the discovery of any such different or additional facts. Therefore, each of the parties hereto acknowledges that they have been informed by their respective attorneys and/or advisors of, and that they are familiar with, Section 1542 of the Civil Code of the State of California which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Company and Fenne do hereby abandon, release, waive and relinquish all rights and benefits which they may acquire under Section 1542 of the Civil Code of the State of California pertaining to the subject matter of this Agreement.

5.3 **Covenant Not to Sue.** Each of the Company and Fenne hereby agrees not to file, institute or directly or indirectly cause to be filed or instituted any suit, action or proceeding of any kind against the other party or his or its personal or legal representatives, executors, successors and assigns, shareholders, directors, officers or agents based on any obligation, liability, claim, demand or cause of action of any kind or nature, including but not limited to any claims arising out of Fenne's previous employment with or ownership interest in the Company, which he or it has, had or may have against such persons, whether based on statute, common law, rule or regulation, whether in law or in equity, whether liquidated or unliquidated, whether known or unknown, for, upon, or by reason of any matter, cause or thing, whatsoever, on or at any time before the date of this Agreement.

ARTICLE VI

INDEMNIFICATION

6.1 **Mutual Indemnification.** The Company and Fenne do hereby agree to indemnify, defend and hold harmless the other party, its directors, officers, employees, agents and successors and assigns, from and of any and all actions, causes of action, suits, debts, covenants, controversies, agreements, promises, liabilities, torts, negligence, errors, obligations, fees, damages, judgments, claims, counterclaims, costs and expenses, including reasonable attorneys' fees, suffered or incurred by either party, its directors, officers, employees, agents, and successors and assigns, arising out of or in connection with the Business of the Company prior to the date of this Agreement.

10

EXHIBIT 6
PAGE 47

ARTICLE VII

MISCELLANEOUS

7.1 **Notice of Future Financings.** The Company shall provide notice to Fenne at least five (5) days before the closing of any future transaction, including a private placement of securities or an initial public offering of the Company's capital stock, in which the Company obtains financing.

7.2 **Notices.** All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given, delivered and received (a) when delivered, if delivered personally, (b) four days after mailing, when sent by registered or certified mail, return receipt requested and postage prepaid, (c) one business day after delivery to a private courier service, when delivered to a private courier service providing documented overnight service, and (d) on the date of delivery if delivered by telecopy, receipt confirmed, provided that a confirmation copy is sent on the next business day by first class mail, postage prepaid, in each case addressed as follows:

To Fenne at his home address.

With a copy to:

Sтивен Куhn
28202 Cabot Rd.
Laguna Nigel, California 92677
Ph: (949)364-0600
Fax: (949)364-0606

To Company at:

Pixelon, Inc.
31732 Rancho Viejo Road, Suite D
San Juan Capistrano, California 92675
Attn: Stephanie Kitzas
Ph: (949) 248-4655
Fax: (949) 248-9930

With a copy to:

Shelsky & Froelich Ltd.
444 North Michigan Avenue, Suite 2400
Chicago, IL 60611
Attention: Mark Borrelli
Ph: (312) 836-4014

11

EXHIBIT 6
PAGE 48

Any party may change its address for purposes of this paragraph by giving the other party written notice of the new address in the manner set forth above.

7.3 Entire Agreement; Amendments, Etc. This Agreement contains the entire agreement and understanding of the parties hereto, and supersedes all prior agreements and understandings relating to the subject matter thereof. Except as provided in Sections 3.3.2 and 7.6, no modification, amendment, waiver or alteration of this Agreement or any provision or term hereof shall in any event be effective unless the same shall be in writing, executed by both parties hereto, and any waiver so given shall be effective only in the specific instance and for the specific purpose for which given.

7.4 Benefit. This Agreement shall be binding upon, and inure to the benefit of, and shall be enforceable by, the heirs, successors, legal representatives and permitted assignees of Fenne and the successors, assignees and transferees of the Company. This Agreement or any right or interest hereunder may not be assigned by Fenne without the prior written consent of the Company. Fenne acknowledges that he has obtained independent counsel to represent him in connection with the subject matter of this Agreement, and has not been provided representation by counsel to the Company with respect to the subject matter of this Agreement.

7.5 No Waiver. No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder or pursuant hereto shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or pursuant thereto.

7.6 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law but, if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. If any part of any covenant or other provision in this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire, that the court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

7.7 Mutual Preparation. The terms of this Agreement are contractual and are the result of negotiation between the parties. In construing this Agreement, or any of its terms, the same shall not be construed against any party because that party or that party's legal representative drafted such provision of the Agreement.

7.8 Compliance and Headings. Time is of the essence of this Agreement. The headings in this Agreement are intended to be for convenience and reference only, and shall not define or limit the scope, extent or intent or otherwise affect the meaning of any portion hereof.

7.9 Governing Law. Except where a provision of California law is specifically cited herein, the parties agree that this Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of Delaware, and the parties agree that any suit, action or proceeding with respect to this Agreement shall be brought in the courts of Orange County in the State of California or in the U.S. District Court for the Central District of California. The parties hereto hereby accept the exclusive jurisdiction of those courts for the purpose of any such suit, action or proceeding. Venue for any such action, in addition to any other venue permitted by statute, will be Orange County, California.

7.10 Arbitration. Except as expressly contemplated by Article III, any dispute arising between the parties pursuant to this Agreement shall be submitted to binding arbitration. Any such arbitration proceeding will be conducted in Orange County, California and except as otherwise provided in this Agreement, will be conducted in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. One arbitrator shall conduct the proceedings. The arbitrator shall be selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The arbitrator shall allow such discovery as the arbitrator determines appropriate under the circumstances. The arbitrator shall determine which party, if either, prevailed and shall award the prevailing party its costs and reasonable attorneys fees. The award and decision of the arbitrator shall be conclusive and binding on all parties to this Agreement and judgment on the award may be entered in any court of competent jurisdiction. The parties acknowledge and agree that any arbitration award may be enforced against either or both of them in a court of competent jurisdiction and each waives any right to contest the validity or enforceability of such award. The parties further agree to be bound by the provisions of any statute of limitations which would be applicable in a court of law to the controversy or claim which is the subject of any arbitration proceeding initiated under this Agreement. The parties further agree that they are entitled in any arbitration proceeding to the entry of an order, by a court of competent jurisdiction pursuant to an opinion of the arbitrator, for specific performance of any of the requirements of this Agreement. The parties further agree that the arbitrator shall provide a statement of reasons explaining the basis of the decision rendered.

7.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered as of the day and year first above written.

By: P. B. Madsen, CFO

ADAM MICHAELS FENNE

TOTAL

| Type | Date | Num | Name | Memo | Class | Cr | Sign | Amount | Balance |
|-----------------------|-----------|------|---------------------|---------|----------|----|-------------|----------|----------|
| 8117 - Advances to Mr | 7/16/1998 | 003 | Capiterno Pinta | Mr rent | Admitted | | 2000 Accru. | 1,361.50 | 1,361.50 |
| Check | 7/16/1998 | 2519 | Mr | Mr | Admitted | | 1000 F&M | 1,361.50 | |
| 8118 - Advances to Mr | 7/16/1998 | 003 | Capiterno Pinta | Mr 8 SF | Admitted | | 2000 Accru. | 1,410.7 | 1,410.7 |
| Check | 7/16/1998 | 2519 | Mr | Mr | Admitted | | 1000 F&M | 1,410.7 | |
| 8119 - Advances to Mr | 7/16/1998 | 2811 | Paul Cross of Calif | by Mr | Admitted | | 1000 F&M | 394.18 | 3,204.7 |
| Check | 7/16/1998 | 2812 | Mr | Mr | Admitted | | 1000 F&M | 3,204.7 | |
| 8120 - Advances to Mr | 7/16/1998 | 2857 | Amo Station | Mr | Admitted | | 1000 F&M | 409.55 | 2,900.91 |
| Check | 7/16/1998 | 2710 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 2,900.91 | |
| 8121 - Advances to Mr | 7/16/1998 | 2712 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 743.00 | 4,383.81 |
| Check | 7/16/1998 | 2714 | Mr | Mr | Admitted | | 1000 F&M | 4,383.81 | |
| 8122 - Advances to Mr | 7/16/1998 | 2716 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 783.11 | 4,669.79 |
| Check | 7/16/1998 | 2718 | Mr | Mr | Admitted | | 1000 F&M | 4,669.79 | |
| 8123 - Advances to Mr | 7/16/1998 | 2745 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 630.00 | 4,339.79 |
| Check | 7/16/1998 | 2746 | Mr | Mr | Admitted | | 1000 F&M | 4,339.79 | |
| 8124 - Advances to Mr | 7/16/1998 | 2804 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2805 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8125 - Advances to Mr | 7/16/1998 | 2806 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2807 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8126 - Advances to Mr | 7/16/1998 | 2808 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2809 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8127 - Advances to Mr | 7/16/1998 | 2810 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2811 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8128 - Advances to Mr | 7/16/1998 | 2812 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2813 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8129 - Advances to Mr | 7/16/1998 | 2814 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2815 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8130 - Advances to Mr | 7/16/1998 | 2816 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2817 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8131 - Advances to Mr | 7/16/1998 | 2818 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2819 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8132 - Advances to Mr | 7/16/1998 | 2820 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2821 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8133 - Advances to Mr | 7/16/1998 | 2822 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2823 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8134 - Advances to Mr | 7/16/1998 | 2824 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2825 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8135 - Advances to Mr | 7/16/1998 | 2826 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2827 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8136 - Advances to Mr | 7/16/1998 | 2828 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| Check | 7/16/1998 | 2829 | Mr | Mr | Admitted | | 1000 F&M | 1,360.00 | |
| 8137 - Advances to Mr | 7/16/1998 | 2830 | Capiterno Pinta | Mr | Admitted | | 1000 F&M | 1,360.00 | 1,360.00 |
| | | | | | | | | | |

27/66
6/30/89 just 30.3.27

57,493

| Type | Date | Num | Name | Memo | Class | Cr | Spd | Amount | Balance |
|-----------------------|------------|--------|--------------------|-----------------|-----------|----|---------------|-----------|------------|
| 9017 - Advances to MF | | | | | | | | | |
| General Journal | 7/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,175.00 | 1,234.00 |
| General Journal | 7/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,235.00 | 2,469.00 |
| General Journal | 7/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 53.04 | 2,522.04 |
| General Journal | 9/30/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 225.83 | 2,747.87 |
| General Journal | 10/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 345.00 | 3,092.87 |
| General Journal | 10/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 4,262.87 |
| General Journal | 11/30/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 345.00 | 4,607.87 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 5,782.87 | 10,390.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 345.00 | 10,735.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 11,905.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 13,075.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 14,245.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 15,415.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 16,585.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 17,755.74 |
| General Journal | 12/31/1998 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 1,170.00 | 18,925.74 |
| Check | 2/2/1999 | 2003 | Dewey's Appliances | washington | Brooks... | | 2004 - Future | 1,285.00 | 20,210.74 |
| General Journal | 2/2/1999 | 10005 | Dewey's Appliances | parts for MF | Brooks... | | 2004 - Future | 81.72 | 20,292.46 |
| General Journal | 2/2/1999 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 30.00 | 20,322.46 |
| General Journal | 2/2/1999 | JE 1 | | FL Entry | Brooks... | | 2004 - Future | 30.00 | 20,352.46 |
| Check | 3/1/1999 | 022896 | Capistrano Valley | MF contribution | Brooks... | | 2004 - Future | 30.00 | 20,382.46 |
| Check | 3/1/1999 | 2111 | Little Church | MF withdraw | Brooks... | | 2004 - Future | 30.00 | 20,412.46 |
| Check | 3/1/1999 | 030968 | Crus of Call | advance to MF | Brooks... | | 2004 - Future | 1,285.00 | 21,697.46 |
| Check | 3/1/1999 | 2154 | Capistrano Pointe | advance to MF | Brooks... | | 2004 - Future | 471.03 | 22,168.49 |
| Check | 3/2/1999 | 3921 | Capistrano Pointe | for M.F. fence | Brooks... | | 2004 - Future | 396.00 | 22,564.49 |
| Check | 3/2/1999 | 2183 | Capistrano Pointe | for M.F. fence | Brooks... | | 2004 - Future | 100.00 | 22,664.49 |
| Check | 3/2/1999 | 2186 | B & C | advance to MF | Brooks... | | 2004 - Future | 493.30 | 23,157.79 |
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| Check | 3/2/1999 | 2188 | Cash | advance to MF | Brooks... | | 2004 - Future | 493.33 | 23,832.37 |
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| Check | 4/2/1999 | 2215 | Capistrano Pointe | MF rent | Brooks... | | 2004 - Future | 1,285.00 | 36,014.20 |
| Check | 4/2/1999 | 2216 | Blue Cross of Cal. | Acc'd. C US | Brooks... | | 2004 - Future | 29,826.43 | 65,840.63 |
| Check | 4/2/1999 | 2217 | Blue Cross of Cal. | Acc'd. C US | Brooks... | | 2004 - Future | 29,810.43 | 95,651.06 |
| Check | 4/2/1999 | 2218 | Cash | advance to MF | Brooks... | | 2004 - Future | 1,071.78 | 96,722.84 |
| Check | 4/2/1999 | 2219 | Cash | advance to MF | Brooks... | | 2004 - Future | 1,071.78 | 97,794.62 |
| Check | 4/2/1999 | 2220 | Cash | advance to MF | Brooks... | | 2004 - Future | 1,071.78 | 98,866.40 |
| Check | 4/2/1999 | 2221 | Cash | advance to MF | Brooks... | | 2004 - Future | 1,071.78 | 100,000.00 |
| Check | 4/2/1999 | 2222 | Cash | advance to MF | Brooks... | | 2004 - Future | 1,071.78 | 101,071.78 |
| Check | 4/2/1999 | 2223 | Cash | advance to MF | Brooks... | | 2004 - Future | 1,071.78 | 102,143.56 |
| | | | | | | | | | |

EXHIBIT 6
PAGE 53

PIXELON, INC.

CONFIDENTIALITY AND TRADE SECRET AGREEMENT

The parties to this Confidentiality and Trade Secret Agreement ("Agreement") are Pixelon, Inc. ("Pixelon") and Michael Fenne ("Employee").

Whereas, Employee is employed by Pixelon and Pixelon will be revealing Confidential Information and Trade Secrets to Employee; and

Whereas, Pixelon and Employee wish to protect such Confidential Information and Trade Secrets and acknowledge that Pixelon would be substantially harmed by competitors knowing its Confidential Information and Trade Secrets;

Therefore, for good and valuable consideration, which the parties agree and warrant is sufficient to support enforcement of this Agreement, Pixelon and Employee hereby agree as follows:

1. In reliance upon this Agreement, Pixelon (acting as a "Disclosing Party") may disclose to Employee (acting as a "Receiving Party") Confidential Information of the Disclosing Party. Receiving Party hereby acknowledges and agrees that certain items of information currently in Receiving Party's possession, or later to come into Receiving Party's possession, presently constitute, or shall constitute in the future, valuable Trade Secrets or proprietary business information of Disclosing Party. Such items of information, which are herein collectively referred to as the "Confidential Information," shall include but are not limited to the following:

- (i) Product formulae, customer requirements, and all other technical data used or useful in Disclosing Party's business or related to any research and development activities carried on by Disclosing Party.
- (ii) All customer lists, accounting, costs, sales, and other information relating to Disclosing Party's business.
- (iii) All other information of any type or description whatsoever which is protected by law as a Trade Secret or as proprietary information of Disclosing Party, or which has been designated to Receiving Party either orally or in writing as a Trade Secret or proprietary information of Disclosing Party. For purposes of the foregoing sentence, "Trade Secret" shall include, without limitation, any formula, device, or compilation of information not generally known in the industry which Disclosing Party uses in its business and which gives Disclosing Party an opportunity to obtain an advantage over competitors who do not know it.

EXHIBIT 7
PAGE 54

(iv)

All Confidential Information (as herein defined) of all customers, contractors, and others with whom Disclosing Party had, has or will have a business relationship learned or acquired by Receiving Party during the course of or as a result of Receiving Party's contractual relationship with Disclosing Party.

All of the foregoing information shall be deemed "Confidential Information" until such time as it becomes generally known in the industry by means other than improper disclosures or other improper action or inaction made by Receiving Party.

2. Receiving Party shall not, directly or indirectly, either during the term of its relationship with Disclosing Party or thereafter, disclose or use the Confidential Information other than in the business of or as directed by, Disclosing Party without the prior written consent of Disclosing Party.

3. Receiving Party shall not, directly or indirectly, either during the term of its relationship with Disclosing Party or thereafter, take, copy, or remove any of the Confidential Information from Disclosing Party's premises, whether in the form of manuals, printed sheets, reproductions, personal notes, or otherwise, without the prior written consent of Disclosing Party.

4. Receiving Party shall at all times and forever safeguard and protect all of the Confidential Information of Disclosing Party to prevent its being exposed to, or taken by, unauthorized persons, and when entrusted to Receiving Party will exercise its best efforts to assure its safekeeping.

5. Upon request of a Disclosing Party, Receiving Party will deliver to Disclosing Party, within three (3) days of receiving such request, all Confidential Information which is in the possession or control of the Receiving Party.

6. In any action at law or in equity to enforce or construe any of the provisions or rights under this Agreement, the unsuccessful party or parties to such litigation, as determined by the courts in a final judgment or decree, shall pay the successful party or parties all costs, expenses, and attorneys' fees incurred therein by such successful party or parties (including without limitation such costs, expenses, and fees on any appeals), and if such successful party or parties shall recover judgment in any such action or proceeding, such costs, expenses, and attorneys' fees shall be included in as part of such judgment. Any litigation concerning this Agreement shall be venue in Orange County, California.

7. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

EXHIBIT 7
PAGE 55

8. The provisions of this Agreement shall inure to the benefit of and are binding on Receiving Party's heirs, personal representatives, successors, and assigns, and the successors and assigns of Disclosing Party.

9. This Agreement and any question concerning its validity, construction, or performance shall be governed by the laws of the State of California, irrespective of the place of execution or the place or places of performance.

10. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein, and supercedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, partner, employee or representative of any party hereto.

11. This Agreement may be executed in two or more counter-parts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

Pixelon, Inc.

By:

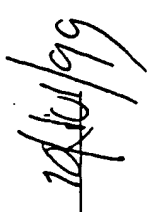

Paul Ward
Chief Executive Officer

Employee

By:


Michael Pegue

Dated:



6320100118EMPLOYEENONCONFIRM.001

3

EXHIBIT 7
PAGE 56

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA, COUNTY OF ORANGE:

I am employed in the county of Orange, State of California. I am over the age of 18 and not a party to the within action; my office address is 3 Civic Plaza, Suite 280, Newport Beach, CA 92660.

On August 21, 2000, I served the within document described as: **DEBTOR'S REPLY TO DAVID KIM STANLEY AKA ADAM MICHAEL FENNE, DAVID SNYDER, AND SHELIA ROBERTSON'S OBJECTION TO MOTION FOR AUTHORITY TO OBTAIN SECURED FINANCING** on parties in interest in said action, via first class mail by placing copies thereof enclosed in sealed envelopes addressed as follows:

| | |
|--|--|
| Office of the U.S. Trustee Nancy Shapiro, Esq. 411 West Fourth Street, Suite 9041 Santa Ana, CA 92701-8000 | Pixelon Corporation Attn: Peter H. Foley 31732 Rancho Viejo Rd., Suite D San Juan Capistrano, CA 92675 |
| Ronald D. Halpern 30011 Ivy Glenn Drive, Suite 112 Laguna Niguel, CA 92677 | Robert Peterson 6420 Wilshire Blvd., 20 th Fl Los Angeles, CA 90048 |
| Committee Member Locolabs Attn: Bradley W. Hoffert 111 W. Saint John St., Ste. 1250 San Jose, CA 95113 | Robert G. Johnson 30131 Town Center Drive, Suite 147 Laguna Niguel, CA 92677 |
| Committee Member Interactive Agency, Inc. Attn: Sharon Boyajian 2701 Ocean Park Blvd., Ste. 201 Santa Monica, CA 90405 | Committee Member Gravity Television & Sports Marketing Attn: Kevin P. O'Rourke 79 E. Puhnam Ave. Greenwich, CT 06830 |

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Newport Beach, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I am employed in the office of a member of the Bar of the Central District of California at whose direction this service was made.

Executed this 21st day of August, 2000, at Newport Beach, California.



Recordation Form Cover Sheet

(sent to PTO on November 6, 2001, along with the documents confirming the bankruptcy sale of the intellectual property assets to Dante Pugliese)

Applicant: Pixelon, Inc.

Filed: August 24, 2001

SN: 09/351,618; 09/351,028

09/428,413; 09/428,394;

09/428,387; 09/429,363;

09/428,392; 09/428,395; 09/428,396

Date: November 6, 2001

Docket No. 05488.0002

Commissioner for Patents
Washington, DC 20231

Sir or Madam:

Please place the U.S. Patent & Trademark Office receipt stamp hereon
to acknowledge receipt of the following:

1. Recordation Form Cover Sheet (1 page);
2. Documents Confirming Bankruptcy Sale of Intellectual Property Assets to Dante Pugliese (69 pages); and
3. Return Postcard.

EL225649905US

RECORDATION FORM COVER SHEET
PATENTS ONLY

To the Honorable Commissioner of Patents and Trademarks. Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Pixelon, Inc.

Additional name(s) of conveying party(ies) attached? ☐ yes ☒ no

2. Name and address of receiving party(ies):

Name: Dante Pugliese

Street Address: c/o Passport International Productions,
of California, Inc.
10520 Magnolia Boulevard

City: North Hollywood State: CA Zip Code: 91601

Country: United States

Additional name(s) & address(es) attached? ☐ yes ☒ no

3. Nature of Conveyance:

- ☐ Assignment ☐ Merger
☐ Security Agreement ☐ Change of Name
☒ Other Bankruptcy Sale (See Motion for
Authority to Sell, Ex. 1 at p.14)

Execution Date(s): August 24, 2001

4. Application number(s) or patent number(s):

If this document is being filed together with a new application, the execution date of the application is N/AA. Patent Application Nos. 09/351,618;
09/351,028; 09/428,413; 09/428,394; 09/428,387;
09/429,363; 09/428,392; 09/428,395; 09/428,396

B. Patent No(s).

Additional numbers attached? ☐ yes ☒ no

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: HOWREY SIMON ARNOLD & WHITE, LLP

Internal Address:

Street Address: 301 Ravenswood Avenue, Box 34

City: Menlo Park State: CA Zip Code: 94025

6. Total number of applications and patents involved
97. Total fee (37 C.F.R. § 3.41).....\$ 360.00☐ Enclosed☒ Authorized to be charged to Deposit Account

8. Deposit Account Number: 08-3038

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Joel Voelzke
Name of Person Signing
Registration No. 37 957

Signature

Date

Nov. 6, 2001

Copy of Assignment from Dante Pugliese to
Pixelon.com, Inc. (sent to PTO for
recordation on November 19, 2001).



* E L 2 2 5 6 4 9 5 8 2 U S *



EL225649582US

POST OFFICE TO ADDRESSEE

UNITED STATES POSTAL SERVICE™

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Label 11-F July 1997

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| Date In | <input type="checkbox"/> 12 Noon <input type="checkbox"/> 3 PM | Postage | \$ | Mo. Day | Time <input type="checkbox"/> AM <input type="checkbox"/> PM | Employee Signature | |
| Mo. Day Year | <input type="checkbox"/> 12 Noon <input type="checkbox"/> 3 PM | Return Receipt Fee | \$ | Mo. Day | Time <input type="checkbox"/> AM <input type="checkbox"/> PM | Employee Signature | |
| Time In | <input type="checkbox"/> 12 Noon <input type="checkbox"/> 3 PM | COD Fee | \$ | Mo. Day | Time <input type="checkbox"/> AM <input type="checkbox"/> PM | Employee Signature | |
| Weight | Int'l Alpha Country Code | Insurance Fee | \$ | Signature of Addressee or Agent | | | |
| Weight | Int'l Alpha Country Code | Insurance Fee | \$ | Name - Please Print | | | |
| No Delivery | Acceptance Clerk Initials | Total Postage & Fees | \$ | X | | | |
| <input type="checkbox"/> Weekend <input type="checkbox"/> Holiday | | | | X | | | |
| CUSTOMER USE ONLY | | | | CUSTOMER USE ONLY | | | |
| METHOD OF PAYMENT | | | | METHOD OF PAYMENT | | | |
| Express Mail Corporate Acct. No. | | | | Express Mail Corporate Acct. No. | | | |
| Federal Agency Acct. No. or Postal Service Acct. No. | | | | Federal Agency Acct. No. or Postal Service Acct. No. | | | |
| FROM: (PLEASE PRINT) | | | | TO: (PLEASE PRINT) | | | |
| HOWREY SIMON ARNOLD & WHITE | | | | Box: ASSIGNMENT | | | |
| 2020 MAIN ST #1000 | | | | COMMISSIONER FOR PATENTS | | | |
| IRVINE, CA. 92614-8200 | | | | WASHINGTON, DC. 20231-0001 | | | |
| Pocket No: 05488.0002 | | | | | | | |

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FOR PICKUP OR TRACKING CALL 1-800-222-1811

PRESS HARD.
You are making 3 copies.

22564958

Applicant: Dante Pugliese
Filed: Multiple filing dates
SN: 09/351,618; 09/351,028
09/428,413; 09/428,394;
09/428,387; 09/429,363;
09/428,392; 09/428,395; 09/428,396

Date: November 19, 2001

Docket No. 05488.0002

Commissioner for Patents
Washington, DC 20231

Sir or Madam:

Please place the U.S. Patent & Trademark Office receipt stamp hereon
to acknowledge receipt of the following:

1. Recordation Form Cover Sheet (1 page);
2. Assignment (multiple patent applications as listed) (3 pages);
3. Transmittal in duplicate (2 pages);
4. Return Postcard

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re the application of:

Multiple

Appl. No.: **See Attached Assignment List**

Filed: **See Attached Assignment List**

For: **See Attached Assignment List**

ASSIGNMENT

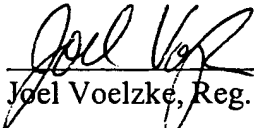
Respectfully submitted herewith for multiple assignment.

The Commissioner is hereby authorized to charge any appropriate fees under 37 C.F.R. §3.81 that may be required by this paper, and to credit any overpayment, to Deposit Account No. 08-3038. This transmittal is submitted in duplicate

Respectfully submitted,

HOWREY SIMON ARNOLD & WHITE, LLP

Date: Nov. 19, 2001


Joel Voelzke, Reg. No. 37,957

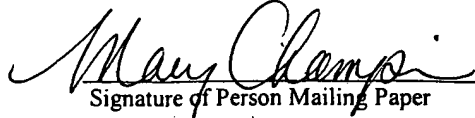
HOWREY SIMON ARNOLD & WHITE, LLP
301 Ravenswood Avenue, Box No. 34
Menlo Park, CA 94025
Fax No.: (858) 622-5199
Telephone No. (858) 622-5100

CERTIFICATE OF MAILING
(37 C.F.R. §1.8a)

I hereby certify that this paper (along with any referred to as being attached hereto) is being deposited with the United States Postal Service on the date shown below with sufficient postage as an Express Mail No. EL225649582US addressed to the Commissioner for Patents, Box Assignments, Washington, D.C. 20231.

11-19-01
Date of Deposit

Mary Champion
Name of Person Mailing Paper


Signature of Person Mailing Paper

RECORDATION FORM COVER SHEET
PATENTS ONLY

To the Honorable Commissioner of Patents and Trademarks. Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Dante Pugliese

Additional name(s) of conveying party(ies) attached? ☐ yes ☒ no

2. Name and address of receiving party(ies):

Name: Pixelon.com, Inc.

Street Address: 10520 Magnolia Boulevard

City: North Hollywood State: CA Zip Code: 91601

Country: United States

Additional name(s) & address(es) attached? ☐ yes ☒ no

3. Nature of Conveyance:

- ☒ Assignment ☐ Merger
☐ Security Agreement ☐ Change of Name
☐ Other _____

Execution Date(s): November 13, 2001

4. Application number(s) or patent number(s):

If this document is being filed together with a new application, the execution date of the application is N/A

A. Patent Application Nos. 09/351,618;
09/351,028; 09/428,413; 09/428,394; 09/428,387;
09/429,363; 09/428,392; 09/428,395; 09/428,396

B. Patent No(s).

Additional numbers attached? ☐ yes ☒ no

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: HOWREY SIMON ARNOLD & WHITE, LLP

Internal Address:

Street Address: 301 Ravenswood Avenue, Box 34

City: Menlo Park State: CA Zip Code: 94025

6. Total number of applications and patents involved

97. Total fee (37 C.F.R. § 3.41).....\$ 360.00☐ Enclosed☒ Authorized to be charged to Deposit Account

8. Deposit Account Number: 08-3038

DO NOT USE THIS SPACE

9. Statement and signature.

To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

Joel Voelzke

Name of Person Signing
Registration No. 37,957

Signature

Nov. 19, 2001

Date

Total number of pages including cover sheet, attachments and document 4

ASSIGNMENT

WHEREAS, Dante Pugliese, c/o Passport International Productions, of California, Inc., 10520 Magnolia Boulevard, North Hollywood, California 91601, (hereinafter "ASSIGNOR"), represents that, by the way of a bankruptcy sale, he believes that he is the sole owner of the entire right, title, and interest to certain new and useful improvements for which ASSIGNOR has executed the following United States applications for Letters Patents in the United States (hereinafter "the Patent Applications"):

| <u>Application No.</u> | <u>Filing Date</u> | <u>Title</u> |
|------------------------|--------------------|--|
| 09/351,618 | July 12, 1999 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS |
| 09/351,028 | July 12, 1999 | LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS |
| 09/428,413 | October 28, 1999 | INTERNET BROADCASTING SYSTEM UTILIZING CACHED AND ENCRYPTED MULTIMEDIA CONTENT |
| 09/428,394 | October 28, 1999 | INSTANTANEOUS VIEWER RESPONSE SYSTEM AND METHOD FOR INTERNET BROADCASTING |
| 09/428,387 | October 28, 1999 | DYNAMIC INSERTION OF TARGETED SPONSORED VIDEO MESSAGES INTO MULTIMEDIA INTERNET BROADCASTS |
| 09/429,363 | October 28, 1999 | INTERNET BROADCAST SYSTEM |
| 09/428,392 | October 28, 1999 | REVERSE SPECTRAL RESPONSE COMPENSATION OF A VIDEO SIGNAL |
| 09/428,395 | October 28, 1999 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS |
| 09/428,396 | October 28, 1999 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS |

WHEREAS, Pixelon.com, Inc., a California corporation, having offices at 10520 Magnolia Boulevard, North Hollywood, CA 91601 (hereinafter "ASSIGNEE") desires to purchase the entire right, title, and interest in and to the inventions disclosed in the Patent Applications;

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) or equivalent and other good and valuable consideration, receipt of which is hereby acknowledged ASSIGNOR hereby sells and assigns to ASSIGNEE its entire right, title and interest for the United States of America (as defined in 35 U.S.C. § 100), and throughout the world, in the said Patent Applications thereon, in any and all Letters Patent(s) therefor, and in any and all continuing applications, reissues, extensions, renewals and reexaminations of such applications or Letters Patent(s) to the full end of the term or terms for which such Letters Patent(s) issue, including all claims, if any, that may have arisen for infringement prior to the date of this assignment, such entire right, title and interest to be held and enjoyed by the above-

Assignment, Page 1 of 3

named ASSIGNEE to the same extent as they would have been held and enjoyed by the ASSIGNOR had this assignment and sale not been made.

The ASSIGNOR agrees to execute all papers necessary in connection with the application(s) and any continuing (continuation, divisional, or continuation-in-part), reissue, reexamination or corresponding application(s) thereof and also to execute separate assignments in connection with such applications as the ASSIGNEE may deem necessary or expedient.

The ASSIGNOR agrees to execute all papers necessary in connection with any interference that may be declared concerning the application(s) or any continuing (continuation, divisional, or continuation-in-part), reissue or reexamination application thereof and to cooperate with the ASSIGNEE in every way possible in obtaining evidence and going forward with such interference.

The ASSIGNOR agrees to perform all affirmative acts that may be necessary to obtain a grant of a valid United States patent to the ASSIGNEE.

The ASSIGNOR hereby represents that ASSIGNOR has full right and authority to convey the entire interest herein assigned, and that ASSIGNOR has not executed, and will not execute, any agreement in conflict therewith.

The ASSIGNOR hereby grants

Jason C. Abair, Reg. No. 44,007
Ethan B. Andelman, Reg. No. 48,997
Michael J. Bell, Reg. No. 39,604
Luisa Bigornia, Reg. No. 45,974
Andrew S. Brenc, Reg. No. 45,534
Celine T. Callahan, Reg. No. 34,301
Kevin Cheatham, Reg. No. 48,766
Jenny W. Chen, Reg. No. 44,604
Robin C. Chiang, Reg. No. 46,619
Chris Comuntzis, Reg. No. 31,097
Thomas E. Coverstone, Reg. No. 36,492
James F. Davis, Reg. No. 21,072
Thomas M. Dunham, Reg. No. 39,965
Panpan Gao, Reg. No. 43,626
Darren J. Gold, Reg. No. 47,599
Alan M. Grimaldi, Reg. No. 26,599
J. Jay Guiliano, Reg. No. 41,810
Albert P. Halluin, Reg. No. 25,227
Leslie L. Jacobs, Jr., Reg. No. 40,659

Derek J. Jardieu, Reg. No. 44,483
Christopher L. Kelley, Reg. No. 42,714
Brian S.Y. Kim, Reg. No. 41,114
Viola T. Kung, Reg. No. 41,131
Robert C. Laurensen, Reg. No. 34,206
Joseph P. Lavelle, Reg. No. 31,036
Don F. Livornese, Reg. No. 32,040
Christopher A. Mathews, Reg. No. 35,944
Matthew J. Moore, Reg. No. 42,012
Andrew Y. Piatnicia, Reg. No. 40,772
William C. Rooklidge, Reg. No. 31,791
Michael J. Stimson, Reg. No. 45,429
William K. West, Reg. No. 22,057
Justin A. White, Reg. No. P-48,883
Adam K. Whiting, Reg. No. 44,400
Jayna R. Whitt, Reg. No. 47,175
Karen K. Wong, Reg. No. 44,409
Wallace Wu, Reg. No. 45,380
Matthew S. Zises, Reg. No. 47,246
Joel D. Voelzke, Reg. No. 37,957

of HOWREY SIMON ARNOLD & WHITE, LLP, 301 Ravenswood Avenue, Box 34, Menlo Park, California 94025, power to insert in this Assignment any further identification that may be necessary or desirable in order to comply with the rules of the United States Patent and Trademark Office for recordation of this document.

IN WITNESS WHEREOF, executed by the ASSIGNOR on the date set forth below.

By: 
DANTE PUGLIESE

Date: 11-13-01

Assignment, Page 2 of 3

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal this 13th day of
Nov., 2001.

Dante Pugliese
Dante Pugliese

STATE OF California
COUNTY OF Los Angeles

SS:

On this 13 day of November, 2001, before me personally appeared **Dante Pugliese**, ~~to me known~~ and known to me to be the individual described in and who executed the foregoing instrument, and who duly acknowledged to me to have executed the foregoing instrument, and who duly acknowledged to me to have executed the same for the purpose therein set forth.

(SEAL)



Sylvia Grepo
NOTARY PUBLIC

My Commission Expires:

Bankruptcy Proceeding Documents,
including copies of Assignment of Certain
Inventions from Stanley/Fenne
to Pixelon, Inc. (at p. 32 ff)

MARC J. WINTHROP - CA State Bar #63218
CHARLES LIU - CA State Bar #190513
WINTHROP COUCHOT
PROFESSIONAL CORPORATION
3 Civic Plaza, Suite 280
Newport Beach, CA 92660

Telephone: (949) 720-4100
Facsimile: (949) 720-4111

Proposed Attorneys for Debtor and
Debtor-in-Possession

AUG 22 2000

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

SANTA ANA DIVISION

In re:

PIXELON CORPORATION, a California
Corporation,

Debtor and
Debtor-in-Possession

Case No. SA 00-13425 LR

Chapter 11 Proceeding

DEBTOR'S REPLY TO DAVID KIM
STANLEY AKA ADAM MICHAEL
FENNE, DAVID SNYDER, AND SHELIA
ROBERTSON'S OBJECTION TO
MOTION FOR AUTHORITY TO
OBTAIN SECURED FINANCING

[11 U.S.C. §364 (c) & (d)]

DATE: August 28, 2000

TIME: 10:30 A.M.

PLACE: Courtroom 5D

411 West Fourth Street
Santa Ana, CA 92701

49343.1

MEMORANDUM OF POINTS AND AUTHORITIES

I.

INTRODUCTION

Pixelon Corporation dba Pixelon.com, the debtor and debtor-in-possession herein (the "Debtor" or "Pixelon"), hereby replies to the Objection to Debtor's Motion for Authority to Obtain Secured Financing filed by David Kim Stanley aka Adam Michael Fenne, David Snyder, and Sheila Robertson (the "Opposition").

By the Debtor's Motion for Authority to Obtain Secured Financing (the "Motion"), the Debtor seeks authority to borrow \$1,000,000 from Robert Petersen, or his designee (the "Loan"). Robert Petersen is a principal of the Petersen Publishing Co. which publishes magazines such as Motor Trend, Powder, and Teen. The Loan is to be secured by a lien on substantially all of the Debtor's assets, including intellectual property. The Loan is convertible, at Petersen's option, to an approximately 10% equity interest in the Debtor. As evidenced by his willingness to make this bridge loan, Petersen is interested in eventually acquiring either the Debtor or its assets by making further infusions of capital to the estate which will facilitate a substantial payment on allowed general unsecured claims. Without the Loan, the Debtor will have no funds to make its technology marketable and will be forced to shut down with little or no payout to general unsecured creditors. As indicated in the Debtor's Chapter 11 schedules, intellectual property is the Debtor's largest asset.

As indicated in the Motion, the Debtor has an immediate need for the proceeds of the Loan to pay its overhead expenses and to prepare its technology for potential customers. Even a brief continuance would prove fatal to the Debtor's reorganization effort and jeopardize any hope of the unsecured creditors receiving a distribution. Including the \$175,000 the Debtor raised from the sale of its Baltheaser stock in July 2000, the proceeds of which were used to pay insurance and other expenses, the Debtor currently holds cash in the approximate amount of \$45,000 which is only expected to last for less than two weeks.

In the Opposition, David Kim Stanley aka Adam Michael Fenne ("Stanley/Fenne") asserts that he is the owner of the Debtor's intellectual property and therefore the Debtor's intellectual

property cannot be used as collateral for the Loan. As discussed more fully below, Stanley/Fenne does not own the Debtor's intellectual property and to the extent that Stanley/Fenne had any interest in the Debtor's intellectual property, Stanley/Fenne transferred it to the Debtor on July 14, 1999. Accordingly, the Loan to Petersen should be approved in the form described in the Motion.

II.

BACKGROUND

A. The Debtor and Its Business

The Debtor is a developer of technologies to deliver high quality media content, such as full-screen streaming video, over the Internet. The key to the Debtor's reorganization strategy will be to stay on the cutting edge of Internet media technology by developing new generations of compression and playback technologies. Virtually every major media company and industry analyst believes that movies, television shows, and other similar media will eventually be broadcast over the Internet. Up until now, however, Internet media player technology has not been able to deliver a high quality full-screen video program over the Internet due to the massive size of video files. The Debtor, however, is on the verge of making a major breakthrough in high quality full-screen video delivered over the Internet with its unique proprietary technologies.

In mid 1999, the Debtor developed and introduced its first Internet media player, using what is now known as "Generation 1" technology. In late 1999, the Debtor contracted with Loco Labs in San Jose, California to develop the Debtor's "Generation 2" full-screen Internet media player which is a state-of-the-art product that is currently offered by the Debtor. Because the Generation 2 technology current offered by the Debtor was developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology.

The Debtor has already made significant progress on its "Generation 3" technology and estimates that it will be able to perfect its Generation 3 technology in the next few months. Additional development costs are expected to be \$250,000. Needless to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted from the

Debtor. The Debtor's Generation 3 full-screen Internet media player represents a major leap over current Internet media player technology and is far more advanced than any other Internet media player in existence. This will give the Debtor a strong competitive advantage over its competitors. The Debtor's Generation 3 technology is eagerly anticipated and is already generating a great deal of interest and excitement among major media companies such as Twentieth Century Fox and Warner Brothers. These media companies know that the Debtor's Generation 3 technology will make the goal of broadcasting movies and other programs over the Internet a reality. As indicated in the Motion, the Debtor cannot complete its Generation 3 technology without the proceeds of the Petersen Loan.

B. The Debtor's Relationship with Stanley/Fenne.

Using the alias "Adam Michael Fenne," Stanley/Fenne founded the Debtor in 1998 and served as, among other positions, the Debtor's president and chairman of the board while he was a fugitive from justice. The Debtor is informed that in 1989, Stanley/Fenne pleaded guilty to over 50 counts of fraud and embezzlement in Virginia and Tennessee. Stanley/Fenne was ordered to pay restitution which reduced his lengthy prison sentence to eight years. However, Stanley/Fenne fled in 1996 with restitution only partly repaid. As a result, Stanley/Fenne was placed on the Commonwealth of Virginia's most-wanted list. On or about April 12, 2000, Stanley/Fenne surrendered to Virginia authorities who were about to capture him after a four-year manhunt. Stanley/Fenne is currently incarcerated in the Wise County, Virginia jail and will likely be extradited to Tennessee for further incarceration if and when he is ever released by Virginia authorities.

In 1999, the Debtor's board of directors and shareholders became increasingly concerned with Stanley/Fenne's irrational management behavior. For example, Stanley/Fenne entered into numerous contracts that were detrimental to the Debtor. There are also several well documented instances of Stanley/Fenne's abusive management style. Stanley/Fenne also gave away substantial amounts of the Debtor's stock with no apparent benefit to the Debtor and without board approval.

1 The most well publicized of Stanley/Fenne's numerous outrageous actions was when
2 Stanley/Fenne squandered \$16.3 million (more than half of the Debtor's initial capital) on a
3 lavish "launch" party in Las Vegas, Nevada dubbed "iBash." iBash featured live performances by
4 the Who, Natalie Cole, Faith Hill, and the Dixie Chicks, among others. The Debtor's board had
5 authorized \$3 to \$4 million for the launch party and Stanley/Fenne exceeded his authority by a
6 factor of four. Stanley/Fenne agreed to pay the PAX television network \$1 million to broadcast
7 iBash and also gave PAX all of the advertising revenue from the broadcast. PAX should have
8 paid the Debtor to air iBash but Stanley/Fenne decided to pay PAX instead. Stanley/Fenne also
9 agreed to pay Faith Hill an additional \$250,000 as a result of iBash being shown on PAX TV
10 even though the Debtor had already paid Faith Hill \$500,000 which included the right to
11 broadcast the performance on television. When Faith Hill's representative spread the word about
12 Stanley/Fenne's largesse, the Dixie Chicks, who are friends of Faith Hill, also asked the Debtor
13 for another \$250,000 which Stanley/Fenne agreed to pay. Stanley/Fenne never sought nor
14 received board or management approval for these expenditures.

15 Because of Stanley/Fenne's bizarre behavior and reckless spending, the Debtor's board
16 decided to terminate Stanley/Fenne's involvement with the Debtor shortly after iBash in
17 November 1999. On or about April 10 or 11, 2000, Stanley/Fenne revealed to the Debtor that he
18 was an imposter and that Adam Michael Fenne was an alias. As a result, on May 17, 2000, the
19 Debtor brought a fraud action against Stanley/Fenne. A copy of the Debtor's complaint against
20 Stanley/Fenne is attached to the Declaration of Peter F. Foley (the "Foley Declaration") as Exhibit
21 "1."

22 The Debtor would like to emphasize that all of its former personnel who were
23 Stanley/Fenne's allies or co-conspirators were dismissed before the commencement of the instant
24 Chapter 11 case and the Debtor's current management has no relationship with Stanley/Fenne.
25 The Debtor's current management has been directing the Debtor's operations since June 20,
26 2000. New management, in conjunction with the Debtor's highly experienced technology team,
27 has continued to develop the Debtor's proprietary compression and playback technologies for the
28

Internet and digital media. New management has also drastically reduced the Debtor's operating
expenses.

C. Events Precipitating this Chapter 11 Case.

Like many other so called "dot-com" companies, poor cost control and reckless spending
by the Debtor's former management, especially Stanley/Fenne, precipitated a severe cash flow
crisis in the Debtor's operations. Because of Stanley/Fenne and other former members of the
Debtor's management's behavior, the Debtor is the subject of numerous lawsuits pending
throughout the country which threatened to exhaust the Debtor's resources.

Its financial problems notwithstanding, the Debtor does own state of the art proprietary
compression and playback technologies for distributing media over the Internet. Because of the
Debtor's future potential, in early 2000, the Debtor had arranged for bridge financing in the
amount of \$2,000,000 from Alliance Atlantis Communications, Inc ("Alliance Atlantis"). Alliance
Atlantis, based in Toronto Canada, is a leading broadcaster, creator, and distributor of television
shows including Gene Roddenberry's Final Conflict, Peter Benchley's Amazon, Total Recall 2070,
and Beastmaster and movies including Scary Movie, Sunshine, and the Cell. In addition, the
Debtor had entered into a contract with Alliance Atlantis where the Debtor would encode 100
movies for Alliance Atlantis for approximately \$350,000.

On April 27, 2000, while the loan and contract from Alliance Atlantis were about to close,
certain creditors and purported creditors: Ronald Clear, Snowden Electric Company, Single
Source, and Lawrence J. Winslow (the "Petitioning Creditors"), through their representative
Michael W. Kinney, filed an involuntary Chapter 7 petition against the Debtor (the "Involuntary
Petition").

Because the Debtor believed the Involuntary Petition was without merit, the Debtor
initially prepared to move to dismiss the Involuntary Petition along with a prayer for damages and
a request for a bond against the Petitioning Creditors. Unfortunately, the Involuntary Petition
alarmed Alliance Atlantis so much that it withdrew its support of the Debtor within days of the
Involuntary Petition being filed.

Because the Involuntary Petition took away the capital the Debtor needed to develop its technology, the Debtor could not survive even if the Involuntary Petition were dismissed. Accordingly, the Debtor was forced to commence the instant Chapter 11 case in order to stabilize its financial problems so that it can concentrate on developing and marketing its technology while at the same time seeking other potential investors.

D. The Debtor's Intellectual Property.

As described above, the Debtor owns proprietary technology to deliver high quality media over the Internet. There are three main elements of the Debtor's intellectual property: 1) an encoding system, 2) an encryption system, and 3) a decoding system. These elements work together to allow high image quality full-screen video media to be played over the Internet. The encoding system compresses the video file so that it can be transmitted over the Internet at high speeds, the encryption system prevents unauthorized viewing or copying of the media (this is very important to the media companies), and the decoding system, or "player", plays the media on the consumer's computer. The Debtor currently has nine pending patents on its technology. Attached to the Declaration of Peter F. Foley (the "Foley Declaration") as Exhibit "2" is a list of the Debtor's current pending patents.

III.

THE DEBTOR'S INTELLECTUAL PROPERTY DOES NOT BELONG TO

STANLEY/FENNE

A. Stanley/Fenne Did Not Invent the Debtor's Technology.

Notwithstanding Stanley/Fenne's misrepresentations to the public and the Debtor's investors that he is an expert computer programmer, in reality, Stanley/Fenne never had the technical background, training, or expertise to have developed any of the Debtor's technology. Stanley/Fenne was a fugitive from justice who did not have a technical background and only posed as a computer programmer named "Adam Michael Fenne."

The bulk of the work on the Debtor's Generation 1 technology was actually performed by Troy Kisky ("Kisky"), a computer programmer employed by the Debtor.

California Labor Code section 2860 provides:

Every person which an employee acquires by virtue of his employment, except the person which is due to him from his employer, belongs to the employer, whether acquired lawfully or unlawfully, or during or after the expiration of the term of his employment.

Cal. Labor Code § 2860. Goodyear Tire & Rubber Co. of Akron, Ohio, v. Miller, 22 F.2d 353 (9th Cir. 1927) (Invention made by employee hired to make it belonged to employer).

Because Kisky was an employee hired to do computer programming and not an outside contractor, all intellectual property developed by Kisky while employed by the Debtor is the Debtor's property. A copy of Kisky's 1999 IRS Form W-2 issued by the Debtor is attached to the Foley Declaration as Exhibit "3."

As previously discussed, the Debtor's board ousted Stanley/Fenne in November of 1999. The Debtor's current Generation 2 technology was developed beginning in late 1999 by the Debtor's outside programming contractor Loco Labs in San Jose, California. A copy of Loco Labs' 1999 IRS Form 1099 (in the amount of \$1,033,709.57) issued by the Debtor is attached to the Foley Declaration as Exhibit "4." Because the current technology offered by the Debtor was developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology. Needless to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted from the Debtor.

B. Stanley/Fenne Assigned All of His Intellectual Property to the Debtor.

Notwithstanding the fact that Stanley/Fenne did not develop any of the Debtor's technology, the Debtor's nine pending patents, filed between July 12, 1999 and October 28, 1999, are registered in the name of "Adam Michael Fenne." This is not particularly surprising since Stanley/Fenne was the Debtor's president. However, regardless of the origin, "Adam Michael Fenne's" intellectual property belongs to the Debtor. On July 14, 1999, Stanley/Fenne executed, as "Adam Michael Fenne," an Assignment of Intellectual Property Rights Agreement (the "IP Assignment") with the Debtor. A copy of the IP Assignment is attached to the Foley Declaration

1 as Exhibit "5." As indicated in the IP Agreement, Stanley/Fenne assigned all of his right, title, and
2 interest in any inventions from and after January 1, 1997 to the Debtor. Accordingly, to the extent
3 Stanley/Fenne actually developed any intellectual property while he was an employee of the
4 Debtor, such intellectual property belongs to the Debtor. As discussed above, the Debtor does not
5 believe Stanley/Fenne developed any of the Debtor's technology. Rather, such assignments are
6 standard in the technology industry to reassure investors that the company actually owns its
7 technology.

8 After Stanley/Fenne's departure from the Debtor, Stanley Fenne and the Debtor entered
9 into a Severance Agreement dated December 27, 1999 (the "Severance Agreement"). A copy of
10 the Severance Agreement is attached to the Foley Declaration as Exhibit "6." Stanley/Fenne's
11 assertion that the \$660,000 payment referenced in the Severance Agreement is consideration for
12 Stanley/Fenne's assigning intellectual property to the Debtor is nonsensical because the Debtor
13 already owned all of its intellectual property at that time. As indicated by the plain language of the
14 Severance Agreement, the \$660,000 payment was to purchase the Debtor's stock held by
15 Stanley/Fenne.

16 C. Stanley/Fenne Is Currently Illegally Using the Debtor's Technology.

17 After Stanley/Fenne was ousted from the Debtor, Stanley/Fenne started several new
18 companies including companies known as Landragon.com, Ailos.com, Axitar.com, and
19 Lazaronventures.com. As indicated in the Severance Agreement sections 3.1 and 3.2,
20 Stanley/Fenne is prohibited from using the Debtor's intellectual property and from competing with
21 the Debtor. Furthermore, on October 10, 1999, Stanley/Fenne and the Debtor entered into a
22 Confidentiality and Trade Secret Agreement (the "Confidentiality Agreement") whereby
23 Stanley/Fenne agreed not to disclose, remove, or use any of the Debtor's proprietary technology.
24 A copy of the Confidentiality Agreement is attached to the Foley Declaration as Exhibit "7." The
25 Debtor is informed that Stanley/Fenne is currently using the Debtor's media player on the
26 Lazaronventures.com website and intends to take action to enjoin such use. It is important to note
27 that the Agreement in Principal dated May 6, 2000 between Stanley/Fenne and the Debtor, referred
28 to in the Opposition, which purportedly allows Stanley/Fenne to use the Debtor's media player,

1 never became effective because its conditions precedent were never satisfied. To the extent
2 Stanley/Fenne relied on the Agreement in Principal to give the Debtor any source codes, such
3 intellectual property, as discussed above, is already the Debtor's property that was illegally taken
4 by Stanley/Fenne (see Confidentiality Agreement).

5 IV.

6 CONCLUSION

7 The Stanley/Fenne Opposition does not object to the approval of the Loan but does attempt
8 to prohibit the use of the Debtor's intellectual property as collateral. As demonstrated, however,
9 the Debtor owns its intellectual property and therefore the Debtor respectfully requests that the
10 Court enter an order:

11 A. authorizing the Debtor to borrow \$1,000,000 from Robert Petersen, or his designee,
12 at an interest rate of 12% per annum (the "Loan"). The Loan shall be due in one year with
13 principal and accrued interest payable at the termination of the Loan. The Loan shall be secured
14 by substantially all of the Debtor's assets and shall be convertible to a 10% equity interest in the
15 Debtor; and

16 B. granting such other relief as the Court deems necessary and proper.

17 Dated: August 21, 2000

18 WINTHROP COUCHOT
19 PROFESSIONAL CORPORATION

20 By: 

21 Marc J. Winthrop
22 Charles Liu

23 Proposed Attorneys for Debtor and
24 Debtor-in-Possession

DECLARATION OF PETER H. FOLEY

I, Peter H. Foley, hereby declare and state as follows:

1. I am the President of Pixelon Corporation dba Pixelon.com, the debtor and debtor-in-possession herein (the "Debtor" or "Pixelon"), and am authorized to make this Declaration on its behalf. The matters stated herein are within my own personal knowledge and if called as a witness, I could and would competently testify thereto.

2. By the Debtor's Motion for Authority to Obtain Secured Financing (the "Motion"), the Debtor seeks authority to borrow \$1,000,000 from Robert Petersen, or his designee (the "Loan"). Robert Petersen is a principal of the Petersen Publishing Co. which publishes magazines such as Motor Trend, Powder, and Teen. The Loan is to be secured by a lien on substantially all of the Debtor's assets, including intellectual property. The Loan is convertible, at Petersen's option, to an approximately 10% equity interest in the Debtor. Petersen has expressed a strong interest in eventually acquiring either the Debtor or its assets by making further infusions of capital to the estate which will facilitate a substantial payment on allowed general unsecured claims. Without the Loan, the Debtor will have no funds to make its technology marketable and will be forced to shut down with little or no payout to general unsecured creditors. As indicated in the Debtor's Chapter 11 schedules, intellectual property is the Debtor's largest asset.

3. As indicated in the Motion, the Debtor has an immediate need for the proceeds of the Loan to pay its overhead expenses and to prepare its technology for potential customers. A brief continuance would prove fatal to the Debtor's reorganization effort and jeopardize any hope of the unsecured creditors receiving a distribution. Including the \$175,000 the Debtor raised from the sale of its Balhazer stock in July 2000, the proceeds of which were used to pay insurance and other expenses, the Debtor currently holds cash in the approximate amount of \$45,000 which is only expected to last for less than two weeks.

4. The Debtor is a developer of technologies to deliver high quality media content, such as full-screen streaming video, over the Internet. The key to the Debtor's reorganization strategy will be to stay on the cutting edge of Internet media technology by developing new generations of compression and playback technologies. Virtually every major media company and

industry analyst believes that movies, television shows, and other similar media will eventually be broadcast over the Internet. Up until now, however, Internet media player technology has not been able to deliver a high quality full-screen video program over the Internet due to the massive size of video files. The Debtor, however, is on the verge of making a major breakthrough in high quality full-screen video delivered over the Internet with its unique proprietary technologies.

5. In mid 1999, the Debtor developed and introduced its first Internet media player, using what is now known as "Generation 1" technology. In late 1999, the Debtor contracted with Loco Labs in San Jose, California to develop the Debtor's "Generation 2" full-screen Internet media player, which is a state-of-the-art product that is current offered by the Debtor. Because the Generation 2 technology current offered by the Debtor was developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology.

6. The Debtor has already made significant progress on its "Generation 3" technology and estimates that it will be able to perfect its Generation 3 technology in the next few months with an additional \$250,000 in development cost. Needless to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted from the Debtor. The Debtor's Generation 3 full-screen Internet media player represents a major leap over current Internet media player technology and is far more advanced than any other Internet media player in existence. This will give the Debtor a strong competitive advantage over its competitors. The Debtor's Generation 3 technology is eagerly anticipated and is already generating a great deal of interest and excitement among major media companies such as Twentieth Century Fox and Warner Brothers. These media companies know that the Debtor's Generation 3 technology will make the goal of broadcasting movies and other programs over the Internet a reality. As indicated in the Motion, the Debtor cannot complete its Generation 3 technology without the proceeds of the Petersen Loan.

7. Using the alias "Adam Michael Fenne," Stanley/Fenne founded the Debtor in 1998 and served as, among other positions, the Debtor's president and chairman of the board while he

1 was a fugitive from justice. The Debtor is informed that in 1989, Stanley/Fenne pleaded guilty to
2 over 50 counts of fraud and embezzlement in Virginia and Tennessee. Stanley/Fenne was ordered
3 to pay restitution which reduced his lengthy prison sentence to only eight years. Nevertheless,
4 Stanley/Fenne fled in 1996 with restitution only partly repaid. As a result, Stanley/Fenne made the
5 Commonwealth of Virginia's most-wanted list. On or about April 12, 2000, Stanley/Fenne
6 surrendered to Virginia authorities who were about to capture him after a four-year manhunt.
7 Stanley/Fenne is currently incarcerated in the Wise County, Virginia jail and will likely be
8 extradited to Tennessee for further incarceration assuming he is ever released by Virginia
9 authorities.

10 8. In 1999, the Debtor's board of directors and shareholders became increasingly
11 concerned with Stanley/Fenne's irrational management behavior. For example, Stanley/Fenne
12 entered into numerous contracts that were detrimental to the Debtor. There are also several well
13 documented instances of Stanley/Fenne's abusive management style. Stanley/Fenne also gave
14 away substantial amounts of the Debtor's stock with no apparent benefit to the Debtor and without
15 board approval.

16 9. The most well publicized of Stanley/Fenne's numerous outrageous actions was
17 when Stanley/Fenne squandered \$16.3 million, more than half of the Debtor's initial capital, on a
18 lavish "launch" party in Las Vegas, Nevada dubbed "iBash." iBash featured live performances by
19 the Who, Natalie Cole, Faith Hill, and the Dixie Chicks, among others. The Debtor's board had
20 authorized \$3 to \$4 million for the launch party and Stanley/Fenne exceeded his authority by a
21 factor of four. Stanley/Fenne agreed to pay the PAX television network \$1 million to broadcast
22 iBash and also gave PAX all of the advertising revenue from the broadcast. PAX should have paid
23 the Debtor to air iBash but Stanley/Fenne decided to pay PAX instead. Stanley/Fenne also agreed
24 to pay Faith Hill \$250,000 as a result of iBash being shown on PAX TV even though the Debtor
25 had already paid Faith Hill \$500,000 which included the right to broadcast the performance on
26 television. When Faith Hill's representative spread the word about Stanley/Fenne's largesse, the
27 Dixie Chicks, who are friends of Faith Hill, also asked the Debtor for another \$250,000 which
28 Stanley/Fenne agreed to pay. Stanley/Fenne never sought nor received board or management

approval for these expenditures.

10. Because of Stanley/Fenne's bizarre behavior and reckless spending, the Debtor's
board decided to terminate Stanley/Fenne's involvement with the Debtor shortly after iBash in
November 1999. On or about April 10 or 11, 2000, Stanley/Fenne revealed to the Debtor that he
was an imposter and that Adam Michael Fenne was an alias. As a result, on May 17, 2000, the
Debtor brought a fraud action against Stanley/Fenne. A copy of the Debtor's complaint against
Stanley/Fenne is attached hereto as Exhibit "1."

11. The Debtor would like to emphasize that all of its former personnel who were
Stanley/Fenne's allies or co-conspirators were dismissed before the commencement of the instant
Chapter 11 case and the Debtor's current management has no relationship with Stanley/Fenne.
The Debtor's current management has been directing the Debtor's operations since June 20, 2000.
New management, in conjunction with the Debtor's highly experienced technology team, has
continued to develop the Debtor's proprietary compression and playback technologies for the
Internet and digital media. New management has also drastically reduced the Debtor's operating
expenses.

12. Like many other so called "dot-com" companies, poor cost control and reckless
spending by the Debtor's former management, especially Stanley/Fenne, precipitated a severe cash
flow crisis in the Debtor's operations. Because of Stanley/Fenne and other former members of the
Debtor's management's behavior, the Debtor is the subject of numerous lawsuits pending
throughout the country which threatened to exhaust the Debtor's resources.

13. Notwithstanding the Debtor's financial problems, the Debtor owns state of the art
proprietary compression and playback technologies for distributing media over the Internet.
Because of the Debtor's future potential, in early 2000, the Debtor had arranged for bridge
financing in the amount of \$2,000,000 from Alliance Atlantis Communications, Inc ("Alliance
Atlantis"). Alliance Atlantis, based in Toronto Canada, is a leading broadcaster, creator, and
distributor of television shows including Gene Roddenberry's Final Conflict, Peter Benchley's
Amazon, Total Recall 2070, and Beastmaster and movies including Scary Movie, Sunshine, and
the Cell. In addition, the Debtor had entered into a contract with Alliance Atlantis where the

Debtor would encode 100 movies for Alliance Atlantis for approximately \$350,000.

14. On April 27, 2000, while the loan and contract from Alliance Atlantis were about to close, certain creditors and purported creditors: Ronald Clear, Snowden Electric Company, Single Source, and Lawrence J. Winslow (the "Petitioning Creditors"), through their representative Michael W. Kinney, filed an involuntary Chapter 7 petition against the Debtor (the "Involuntary Petition").

15. Because the Debtor believes the Involuntary Petition was without merit, the Debtor initially prepared to move to dismiss the Involuntary Petition along with a prayer for damages and a request for a bond against the Petitioning Creditors. Unfortunately, the Involuntary Petition alarmed Alliance Atlantis so much that it withdrew its support of the Debtor within days of the Involuntary Petition being filed.

16. Because the Involuntary Petition took away the capital the Debtor needed to develop its technology, the Debtor could not survive even if the Involuntary Petition were dismissed. Accordingly, the Debtor was forced to commence the instant Chapter 11 case in order to stabilize its problems so that it can concentrate on developing and marketing its technology without at the same time seeking other potential investors.

17. As described above, the Debtor owns proprietary technology to deliver high quality media over the Internet. There are three main elements of the Debtor's intellectual property: 1) an encoding system, 2) an encryption system, and 3) a decoding system. These elements work together to allow high image quality full-screen video media to be played over the Internet. The encoding system compresses the video file so that it can be transmitted over the Internet at high speeds, the encryption system prevents unauthorized viewing or copying of the media (this is very important to the media companies), and the decoding system, or "player", plays the media on the consumer's computer. The Debtor currently has nine pending patents on its technology. Attached hereto as Exhibit "2" is a list of the Debtor's current pending patents.

18. Notwithstanding Stanley/Fenne's misrepresentations to the public and the Debtor's investors that he is an expert computer programmer, in reality, Stanley/Fenne never had the technical background, training, or expertise to have developed any of the Debtor's technology.

Stanley/Fenne was a fugitive from justice who did not have a technical background and only posed as a computer programmer named "Adam Michael Fenne."

19. The bulk of the work on the Debtor's Generation 1 technology was actually performed by Troy Kisky ("Kisky"), a computer programmer employed by the Debtor. Because Kisky was an employee and not an outside contractor, all intellectual property developed by Kisky while employed by the Debtor is the Debtor's property. A copy of Kisky's 1999 IRS Form W-2 issued by the Debtor is attached hereto as Exhibit "3."

20. As previously discussed, the Debtor's board ousted Stanley/Fenne in November of 1999. The current Generation 2 technology was developed beginning in late 1999 by the Debtor's outside programming contractor Loco Labs in San Jose, California. A copy of Loco Labs' 1999 IRS Form 1099 (in the amount of \$1,033,709.57) issued by the Debtor is attached hereto as Exhibit "4." Because the current technology offered by the Debtor was developed by an outside contractor, most of whose work was done after Stanley/Fenne's departure from the Debtor, Stanley/Fenne has no interest in the Debtor's Generation 2 technology. Needless to say, Stanley/Fenne has no interest in the Debtor's Generation 3 technology currently being developed because all of the Debtor's Generation 3 technology was developed after Stanley/Fenne was ousted from the Debtor.

21. Notwithstanding the fact that Stanley/Fenne did not develop any of the Debtor's technology, the Debtor's nine pending patents, filed between July 12, 1999 and October 28, 1999, are registered in the name of "Adam Michael Fenne." Nevertheless, all of "Adam Michael Fenne's" intellectual property belongs to the Debtor. On July 14, 1999, Stanley/Fenne executed, as "Adam Michael Fenne," an Assignment of Intellectual Property Rights Agreement (the "IP Assignment") with the Debtor. A copy of the IP Assignment is attached hereto as Exhibit "5." As indicated in the IP Assignment, Stanley/Fenne assigned all of his right, title, and interest in his inventions since January 1, 1997 to the Debtor. Accordingly, to the extent Stanley/Fenne actually developed any intellectual property while he was an employee of the Debtor, such intellectual property belongs to the Debtor. As discussed above, the Debtor does not believe Stanley/Fenne developed any of the Debtor's technology. Such assignments are standard in the technology

1 entered into a Severance Agreement dated December 27, 1999 (the "Severance Agreement"). A
2 copy of the Severance Agreement is attached hereto as Exhibit "6." Stanley/Fenne's assertion that
3 the \$660,000 payment referenced in the Severance Agreement is consideration for Stanley/Fenne's
4 assigning intellectual property to the Debtor is nonsensical because the Debtor already owned all of
5 its intellectual property at that time

6
7 23. After Stanley/Fenne was ousted from the Debtor, Stanley/Fenne started several new
8 companies including companies known as Landdragon.com, Allos.com, Aditar.com, and
9 Lazaronventures.com. As indicated in the Severance Agreement sections 3 1 and 3 2,
10 Stanley/Fenne is prohibited from using the Debtor's intellectual property and from competing with
11 the Debtor. Furthermore, on October 10, 1999, Stanley/Fenne and the Debtor entered into a
12 Confidentiality and Trade Secret Agreement (the "Confidentiality Agreement") whereby
13 Stanley/Fenne agreed not to disclose, remove, or use any of the Debtor's proprietary technology
14 A copy of the Confidentiality Agreement is attached hereto as Exhibit "7." The Debtor is informed
15 that Stanley/Fenne is currently using the Debtor's media player on the Lazaronventures.com
16 website and intends to take action to enjoin such use. Note that the Agreement in Principal dated
17 May 6, 2000 between Stanley/Fenne and the Debtor, referred to in the Opposition, which
18 purportedly allows Stanley/Fenne to use the Debtor's media player, never became effective because
19 its conditions precedent were never satisfied. To the extent Stanley/Fenne relied on the Agreement
20 in Principal to give the Debtor any source codes, such intellectual property, as discussed above, is
21 already the Debtor's property that was illegally taken by Stanley/Fenne (see Confidentiality
22 Agreement)

23 I declare under penalty of perjury under the laws of the United States of America that the
24 foregoing is true and correct.

25 Executed this 27 day of August 2000, at San Francisco, California.

26 
27 Peter H. Foley
28

WOOD, BOHM & FRANCIS, LLP
Lee A. Wood (Bar No. 58676)
James G. Bohm (Bar No. 13430)
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2603 Main Street, Suite 1000
Irvine, California 92614
Telephone: (949) 794-5900
Fax: (949) 794-5930

Attorneys for Plaintiff
PIXELON, INC., a California corporation

SUPERIOR COURT FOR THE STATE OF CALIFORNIA,
FOR THE COUNTY OF ORANGE, CENTRAL JUSTICE CENTER

PIXELON, INC., a California) Case No.:
corporation.)
Plaintiff,) Verified Complaint for:
vs.) 1) Fraudulent Concealment;
DAVID KIM STANLEY, an) 2) Fraudulent
individual, aka ADAM MICHAEL) Misrepresentation;
FENNE, aka DAVID RIVERS, DAVID) 3) Rescission; and
SNYDER, aka DAVE A. SNYDER, an) 4) For Equitable Lien and to
individual, and DOES 1 through) Impress Constructive Trust
500, inclusive.) and for Order for
Reconveyance
Defendants.)

Plaintiff PIXELON, INC. alleges as follows:

INTRODUCTORY ALLEGATIONS

1. Plaintiff, PIXELON, INC., a California corporation, (hereinafter "PIXELON") is a corporation organized under the laws of the State of California, and authorized to do business in the State of California, and is, and was, at all times material hereto,

doing business in the County of Orange and within this judicial district.

2. Defendant, DAVID KIM STANLEY, who uses and/or has used the aliases, ADAM MICHAEL FENNE and DAVID RIVERS, hereinafter ("STANLEY/FENNE/RIVERS") is an individual, who was residing in the State of California, County of San Bernardino, California until his arrest on or about Wednesday, April 12, 2000 in Wise County, Virginia. STANLEY/FENNE/RIVERS was an officer, employee and member of the Board of Directors of PIXELON.

3. Defendant DAVID SNYDER, aka known as DAVE A. SNYDER, hereinafter ("SNYDER") is an individual, residing in the State of California, County of Orange, and within this judicial district.

4. On or about April 10 or 11, 2000, a telephone conversation between STANLEY/FENNE/RIVERS, on the hand, and Pixelon's officers or directors, Paul Ward, Stephanie Kitae and Bart Moore, STANLEY/FENNE/RIVERS verbally identified himself for the first time to Pixelon as David Stanley, whereas he had previously used the alias Adam Michael Fenne with Pixelon. In that conversation, he stated that he relinquished, waived and gave up all rights to his stock and future monetary payments from PIXELON, under the written Severance Agreement attached hereto as Exhibit A and incorporated by this reference as though fully set forth herein.

5. Plaintiff is ignorant of the true names and capacities of the defendants sued herein as DOES 1 through 500, inclusive, and therefore sues said defendants by such fictitious names. Plaintiff will amend this Complaint to allege their true names and capacities once said names have been ascertained.

6. Plaintiff is informed and believes and based thereon alleges that the fictitiously named defendants are responsible for the occurrences herein alleged, and plaintiff's damages as herein alleged, were proximately caused by the acts and omissions of each fictitiously named defendant, and each fictitiously named defendant is legally liable to plaintiff as herein alleged.

7. Plaintiff is further informed and believes and based thereon alleges that each of the fictitiously named defendants was the agent, servant, employee, representative, alter-ego of each of the remaining defendants, and, in doing the things hereinafter alleged, was acting within the course and scope of such capacity.

8. Plaintiff is further informed and believes and on that basis alleges that Defendants STANLEY/PENNE/RIVERS and DOES 1 through 500, inclusive, were co-conspirators acting in furtherance of a common plan and scheme to defraud plaintiff as set forth herein below, or acting with actual, constructive knowledge or notice thereof and with the intent to adopt, ratify and further said conspiracy by their individual acts herein alleged.

FIRST CAUSE OF ACTION

(Fraudulent Concealment and Suppression)

(Against Defendants STANLEY/PENNE/RIVERS and DOES 1-100)

9. Plaintiff hereby incorporates paragraphs 1 through 8, inclusive, of this Complaint and re-alleges same as though fully set forth herein.

10. On or about December 27, 1999, PEXELON and STANLEY/PENNE/RIVERS entered into a written Severance Agreement ('Agreement') in Orange County, California and within this judicial district. A true and correct copy of said Agreement is attached

FILED
CLERK OF DISTRICT COURT
ORANGE COUNTY, CALIFORNIA
JAN 11 2000

EXHIBIT

PAGE 20

hereto as Exhibit A and incorporated by this reference as though set forth in full herein.

11. At all times material hereto, defendants, and each of them, despite a duty to disclose such material information to plaintiff, defendants, and each of them, fraudulently, intentionally, and wantonly concealed and suppressed from plaintiff, by way of example and not limitation, the fact that Adam Michael Penne was an alias, and that true name and identity of the individual entering into the agreement was that of David Kim Stanley. Further, defendants, and each of them, fraudulently, intentionally, and wantonly concealed and suppressed from plaintiff that David Kim Stanley had pleaded guilty to fraud charges in Virginia and Tennessee, was a fugitive from the Commonwealth of Virginia, and was under a court order to pay full restitution to his victims. Plaintiff is informed and believes and thereon alleges that defendants' concealments and suppressions, as described above, were made with the intent to induce plaintiff to enter into the Agreement, and performing under the Agreement, which included certain payments of money and stock from Plaintiff to STANLEY/PENNE/RIVERS.

12. Defendants' concealment and suppression of the facts set forth herein above was deliberate, and was intended to mislead plaintiff, and did in fact mislead plaintiff into entering into and performing the Agreement with STANLEY/PENNE/RIVERS. In so performing under the Agreement, Plaintiff made payments to STANLEY/PENNE/RIVERS, which were in turn used to purchase real property in Big Bear City/Erwinlake, an Bernardino County, State of California, located at 2170 Mariposa Lane, Big Bear City,

FILED
CLERK OF DISTRICT COURT
ORANGE COUNTY, CALIFORNIA
JAN 11 2000

EXHIBIT

PAGE 21

1 California, Legal Description: PTN N 662.80 FT OF E 1/2 NW 1/4 NW
2 1/4 SEC 29 TP 2. Attached hereto and incorporated by this
3 reference as Exhibit B is a true and correct copy of a letter dated
4 April 13, 2000 from David Snyder to the Law Office of Collins and
5 Collins, with a copy sent to PIXELON's Chairman of the Board, Paul
6 Ward, indicating that money under the Agreement was used to
7 purchase the aforementioned real property under name of the shell,
8 Land Dragon, Inc. which is actually entitled LANDRAGON DEVELOPMENT
9 CORPORATION, and is controlled by individual defendant
10 FENNE/STANLEY/RIVERS. Thereafter the property was transferred
11 without proper consideration, and with the intent to defraud
12 defraud creditors to defendant SNYDER, who is now record owner of
13 the subject property.

14 13. As a direct and proximate result of defendants' conduct,
15 plaintiff has suffered damages in a sum of no less than \$266,000,
16 plus loss of goodwill, reputation and business.

17 14. The aforementioned acts of defendants, and each of them,
18 were willful, oppressive, fraudulent and malicious; therefore
19 plaintiff is entitled to punitive damages.

20 SECOND CAUSE OF ACTION

21 (Fraudulent Misrepresentation)

22 (Against Defendants STANLEY/FENNE/RIVERS and DOES 1-100)

23 15. Plaintiff hereby incorporates paragraphs 1 through 14,
24 inclusive, of this Complaint and re-alleges same as though fully
25 set forth herein to the extent consistent with this Cause of
26 Action.
27
28

Ward, David & Paul
Law Office of Collins
and Collins
April 13, 2000

EXHIBIT

PAGE 22

Ward, David & Paul
Law Office of Collins
and Collins
April 13, 2000

1 16. In entering into the Agreement, defendants represented
2 that the identity of the person entering into the Agreement with
3 PIXELON was Chael Fenne.

4 17. Plaintiff is informed and believes and thereon alleges
5 that defendants' representation to plaintiff as described in the
6 preceding paragraph was made with the intent to induce plaintiff to
7 enter into and perform the Agreement.

8 18. Plaintiff is informed and believes and thereon alleges
9 that at the time defendants made such representation and entered
10 into the Agreement, defendants made such representation knowing it
11 to be false with intent to defraud and deceive plaintiff and to
12 induce plaintiff to act in the manner alleged herein.

13 19. In reliance on the representation of defendants as
14 described herein, plaintiff entered into the Agreement and
15 performed all acts required by it to be performed under the
16 Agreement.

17 20. Had Plaintiff known the true facts, that Fenne was merely
18 an alias and that the true identity of the individual they were
19 entering into said contract with was David Kim Stanley, and that
20 such individual was a convicted felon and fugitive they would have
21 never entered into the Agreement, nor performed under it, by making
22 payments to FENNE/RIVERS.

23 21. As a direct and proximate result of the acts of
24 defendants, plaintiff has suffered damages in amounts according to
25 proof, but in a sum no less than \$266,000.00.

26 22. The aforementioned acts of defendants, and each of them,
27 were willful, oppressive, fraudulent and malicious; therefore
28 plaintiff is entitled to punitive damages.

EXHIBIT

PAGE 23

THIRD CAUSE OF ACTION

(Rescission)
(Against All Defendants)

23. Plaintiff incorporates herein by reference paragraphs 1 through 22, inclusive, of this Complaint and re-alleges same as though fully set forth herein to the extent consistent with this Cause of Action.

24. Plaintiff intends service of the summons and complaint in this action to serve as notice of rescission of the Agreement, and hereby offers to restore all consideration furnished by defendant STANLEY/PENNE/RIVERS under the Agreement, on condition that all defendants restore to Plaintiff the consideration furnished by Plaintiff, as set forth in the Agreement, plus the real property that defendants purchased with the proceeds of the agreement, including but not limited to any appreciation in said property since purchase thereof.

25. As a result of entering into the written Agreement with defendants, plaintiff has incurred and will continue to incur additional expenses as a result of entering into the Agreement, according to proof at the time of trial. Plaintiff prays leave to and this Complaint to insert the true amount of those expenses when they are ascertained.

FOURTH CAUSE OF ACTION

(For Equitable Lien, And To Impress
Constructive Trust And For
Order For Reconveyance)
(Against All Defendants)

26. Plaintiff incorporates herein by reference paragraphs 1 through 25, inclusive, of this Complaint and re-alleges same as though fully set forth herein to the extent consistent with this Cause of Action.

27. Due to the circumstances as herein alleged, Defendant SNYDER is holding title to the property located at located at 2170 Mariposa Lane, Big Bear City, California, Legal Description: PTN N 662.80 FT OF E 1/2 NW 1/4 NW 1/4 SEC 29 TP 2. in a constructive trust for the benefit of plaintiff PIXELON.

28. Plaintiff is informed and believes that Defendant SNYDER and DOES 1-100 has or will sell transfer or assign the property for the benefit of defendants and each of them and to the detriment of plaintiff PIXELON. Plaintiff is informed and believes that Defendant SNYDER and DOES 1-100 has or will take the proceeds from the sale of the property and invest same in real or personal property, and other tangible and intangible items and assets, or otherwise dissipate it in hindrance of creditors, including Plaintiff PIXELON.

29. Plaintiff is informed and believes that while Defendants, or their agents, representatives, or affiliates, have held the title to property and its proceeds they have received benefits therefrom in an amount unknown to plaintiff. Defendants should be required to account fully for all proceeds and profits.

30. By reason of the fraudulent manner in which defendants retained the subject property and/or its proceeds, Defendants are involuntary trustees holding the real and personal property and profits therefrom in a constructive trust for Plaintiff with the duty to reconvey the same to plaintiff PIXELON forthwith.

WHEREFORE, Plaintiff prays for judgment against Defendants as follows:

1. For an order barring STANLEY/FENNE/RIVERS, and SNYDER, their agents, employees, representatives, and attorneys from any conveyance or encumbrance of any real property, without prior consent of the Court;

2. For an order barring STANLEY/FENNE/RIVERS, and SNYDER, and their agents, employees, representatives and attorneys from disposing of any assets, including cash, other than in the ordinary course of business and for value, without the prior consent of the Court;

3. For an order barring STANLEY/FENNE/RIVERS, and SNYDER, and their agents, employees and attorneys from removing any money or property from the United States without the prior consent of the Court;

4. For an order that plaintiff be permitted to file a lis pendens against all real property standing in the name of Defendant STANLEY/FENNE/RIVERS, SNYDER, and LandDragon Development Corp. as of the date this action was first filed, and as to any transferee thereof for less than value after said date.

5. For an order requiring Defendant STANLEY/FENNE/RIVERS to account for and deposit with the Clerk of the Court all sums of money received by him directly or indirectly from PIXELON, INC. from the execution of the Severance Agreement with PIXELON, Dece

the present.

Woods, Rogers & Pritchard
Attorneys at Law
San Francisco, California
April 10, 1999

6. That an order be made declaring the real property located at 2170 Mariposa Lane, Big Bear City, California 92314, legal description: PTN N 662.80 FT OF E 1/2 NW 1/4 NW 1/4 SEC 29 TP 2, personal property and cash, and any other asset or proceeds therefrom, which were purchased with the money paid under the severance agreement, be held in trust for plaintiff, and/or equitable liens be established thereon to the extent wrongfully obtained funds from plaintiff were used therefor, for reconveyance of the subject real property to plaintiff PIXELON, for foreclosure of said lien, for an order requiring the assets to be sold for the payment of the lien, and for payment of the amount of the lien from the proceeds from the sale.

7. On All Causes of Action, compensatory damages in a sum no less than \$266,000.00.

8. On the Third Cause of Action, that defendant be ordered to pay plaintiff the consideration paid by plaintiff for the Agreement, plus interest at the legal rate from December 1, 1999 to the date of rescission, and the sums paid, or which will be paid by plaintiff pursuant to the Agreement with interest thereon at the legal rate from December 27, 1999 to the date of rescission.

9. On All Causes of Action, punitive damages.

10. For costs incurred herein, including attorney's fees.

11. For prejudgment interest.

12. For such other and further relief as the Court deems just and proper.

DATED: May 17, 2000

WOOD, BOHN & FRANCIS, LLP

By _____

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VERIFICATION

I have read the foregoing Verified Complaint for: Fraudulent Concealment; Fraudulent Misrepresentation; Rescission; and For Equitable Lien, And To Impress Constructive Trust And For Order For Reconveyance, and know its contents.

I am the Chairman of the Board of Pixelon, Inc., which is the Plaintiff in this action. The matters stated in the foregoing document are true of my own knowledge.

Executed on this May 17, 2000, at San Juan Capistrano, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.


Paul C. Ward, Jr.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office at the County of San Diego, California, this 17th day of May, 2000.

STATUS OF PDXELON'S PATENT APPLICATIONS
AS OF FEBRUARY 7, 2000

① 11mo only
(2) Pending

EXHIBIT 3
PAGE 29

| OWD MATTER NO. | TITLE | SERIAL NO. | FILING DATE | ASSIGNMENT TO PDXELON FILED | STATUS |
|-------------------|---|---------------|----------------|--------------------------------|------------------------|
| 17954-11 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS | 09/351,618 | July 12, 1999 | Yes | Waiting examination |
| 17954-12 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS | 09/351,028 | July 12, 1999 | Yes | Waiting examination |
| 17954-13 | INTERNET BROADCASTING SYSTEM UTILIZING CACHED AND ENCRYPTED MULTIMEDIA CONTENT | 09/428,413 | Oct. 28, 1999 | Yes | Waiting examination |
| 17954-14 | INSTANTANEOUS VIEWER RESPONSE SYSTEM AND METHOD FOR INTERNET BROADCASTING | 09/428,394 | Oct. 28, 1999 | Yes | Waiting examination |
| 17954-15 | DYNAMIC INSERTION OF TARGETED SPONSORED VIDEO MESSAGES INTO MULTIMEDIA INTERNET BROADCASTS | 09/428,387 | Oct. 28, 1999 | Yes | Waiting examination |
| 17954-19 | INTERNET BROADCAST SYSTEM | 09/429,363 | Oct. 28, 1999 | Yes | Waiting examination |
| 17954-21 | REVERSE SPECTRAL RESPONSE COMPENSATION OF A VIDEO SIGNAL | 09/428,392 | Oct. 28, 1999 | Yes | Waiting examination |
| 17954-22 | MATCHING OF A REDUCED SPECTRUM LIGHTING SOURCE WITH VIDEO ENCODING PROGRAM VARIABLES FOR INCREASED DATA COMPRESSION RATIOS | 09/428,395 | Oct. 28, 1999 | Yes | Waiting examination |
| 17954-23 | FREQUENCY-BASED VIDEO DATA SUBSTITUTION FOR INCREASED VIDEO COMPRESSION RATIOS | 09/428,396 | Oct. 28, 1999 | Yes | Waiting examination |

UICAT

UICAT

PLM

Feedback

PLM

* 5ms

UICAT

UICAT

UICAT

Form W-2 Wage and Tax Statement 1998 EMPLOYER REFERENCE COPY - DO NOT FILE.

| | | | |
|---------------|-------------------------|--|-------|
| CA 441-6464-8 | 0080-7942 000008-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 0005 |
| 33-0800713 | 495-84-3894 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |
| CA 441-6464-8 | 0080-7942 000008-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 12500 |
| 33-0800713 | 495-84-3894 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |

Form W-2 Wage and Tax Statement 1998 EMPLOYER REFERENCE COPY - DO NOT FILE.

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|---------------|-------------------------|--|-------|
| CA 441-6464-8 | 0080-7942 000008-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 0005 |
| 33-0800713 | 015-56-8082 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |
| CA 441-6464-8 | 0080-7942 000008-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 12500 |
| 33-0800713 | 015-56-8082 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |

Form W-2 Wage and Tax Statement 1998 EMPLOYER REFERENCE COPY - DO NOT FILE.

| | | | |
|---------------|-------------------------|--|-------|
| CA 441-6464-8 | 0080-7942 000008-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 0005 |
| 33-0800713 | 537-75-1285 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |
| CA 441-6464-8 | 0080-7942 000008-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 12500 |
| 33-0800713 | 537-75-1285 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |

Form W-2 Wage and Tax Statement 1998 EMPLOYER REFERENCE COPY - DO NOT FILE.

| | | | |
|---------------|-------------------------|--|-------|
| CA 441-6464-8 | 0080-7942 000003-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 0005 |
| 33-0800713 | 549-23-8508 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |
| CA 441-6464-8 | 0080-7942 000003-000100 | Pixelon Inc 31854 RANCHO VIEJO RD STE 9 SAN JUAN CAPISTRANO CA 92675 | 12500 |
| 33-0800713 | 549-23-8508 | TROY KISKY 525 BERRY ST HAYWARD CA 94544 | 1245 |

VOID CORRECTED
PAYER'S name, street address, city, state, ZIP code, and telephone no.
PIXELON.COM
31732 RANCHO VIEJO RD.
SUITE "D"
SAN JUAN CAP., CA 92675
949-248-4655
PAYER'S Federal identification number
33-0800713
RECIPIENT'S identification number
77-0426289
RECIPIENT'S name
LOCO
LOCO LABS
Street address (including apt. no.)
1347 THE ALAMEDA, # 7
City, state, and ZIP code
SAN JOSE, CA 95126
Account number (optional)
2nd TIR No.
Form 1099-MISC
Department of the Treasury - Internal Revenue Service
Miscellaneous Income
1999
Form 1099-MISC
1 Rents
2 Royalties
3 Other income
4 Federal income tax withheld
5 Flaming boat proceeds
6 Medical and health care payments
7 Nonemployee compensation
8 Payer made direct sales of products to a buyer (recipient) for resale
9 Payer made direct sales of products to a buyer (recipient) for resale
10 Crop insurance proceeds
11 State income tax withheld
12 StatePayer's state number
13

VOID CORRECTED
PAYER'S name, street address, city, state, ZIP code, and telephone no.
PIXELON.COM
31732 RANCHO VIEJO RD.
SUITE "D"
SAN JUAN CAP., CA 92675
949-248-4655
PAYER'S Federal identification number
33-0800713
RECIPIENT'S identification number
313-26-7917
RECIPIENT'S name
FRED MILLER
Street address (including apt. no.)
22835 MINONA DRIVE
City, state, and ZIP code
GRAND TERRACE, CA 92313
Account number (optional)
2nd TIR No.
Form 1099-MISC
Department of the Treasury - Internal Revenue Service
Miscellaneous Income
1999
Form 1099-MISC
1 Rents
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3 Other income
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PAYER'S name, street address, city, state, ZIP code, and telephone no.
PIXELON.COM
31732 RANCHO VIEJO RD.
SUITE "D"
SAN JUAN CAP., CA 92675
949-248-4655
PAYER'S Federal identification number
33-0800713
RECIPIENT'S identification number
102-48-7861
RECIPIENT'S name
PATRICIA MODICA
Street address (including apt. no.)
360 LILLY POND ROAD
City, state, and ZIP code
BARKSVILLE, NY 13268
Account number (optional)
2nd TIR No.
Form 1099-MISC
Department of the Treasury - Internal Revenue Service
Miscellaneous Income
1999
Form 1099-MISC
1 Rents
2 Royalties
3 Other income
4 Federal income tax withheld
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10 Crop insurance proceeds
11 State income tax withheld
12 StatePayer's state number
13

Fenne Empty
Aya

ASSIGNMENT OF INTELLECTUAL PROPERTY RIGHTS AGREEMENT

This Assignment is made and entered into on July 14, 1999, by and between Assignor, ADAM MICHAEL FENNE ("FENNE") and Assignee, PIXELON, Inc. ("PIXELON") a California corporation, with its principal place of business at 31726 Rancho Viejo Road, Suite 121, San Juan Capistrano, California 92675 regarding intellectual property rights of FENNE under the following terms and conditions:

1. INTENT OF ASSIGNMENT

1.1. For full and valuable consideration, receipt of which is hereby acknowledged, FENNE hereby sells, transfers and assigns to PIXELON all of FENNE's right, title and interest in his inventions since January 1, 1997.

2. DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

2.1. "Inventions" means all discoveries, developments, designs, improvements, inventions, formulas, software programs, processes, techniques, know-how, negative know-how, data, research, techniques, and technical data (whether or not patentable or registrable under patent, copyright or similar statutes and including all rights to obtain, register, perfect, and enforce those proprietary interests) that are related to or useful in the Company's present or future business or result from use of property owned, leased or contracted for by the Company. "Inventions" shall also include anything that derives actual or potential economic value from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use.

2.2. "Proprietary Information" means information (a) that is not known by actual or potential competitors of PIXELON or is generally unavailable to the public, (b) that has been created, discovered, developed or otherwise become known to PIXELON or in which property rights have been assigned or otherwise conveyed to PIXELON and (c) that has material economic value or potential material economic value to PIXELON's present or future business. "Proprietary Information" shall include trade secrets (as defined under California Civil Code section 3426.1(d) and all other discoveries, developments, designs, improvements, inventions, formulas, software programs, processes, techniques, know-how, negative know-how, data, research, techniques, technical data, customer and supplier lists, and any modifications or enhancements of any of the foregoing, and all program, marketing, sales, or other financial or business information disclosed to PIXELON by FENNE, whether directly or indirectly in writing or orally or by drawings or observation, which has actual or potential economic value.

2.3. "Rights" means all patents, trademarks, service marks and copyrights and other rights pertaining to Proprietary Information, Inventions, or both.

3. INVENTION ASSIGNMENT

3.1 All Proprietary Information and Inventions developed by FENNE from January 1, 1997 through the completion of FENNE's relationship to PIXELON, except those listed in Exhibit "B", shall be the sole property of PIXELON and PIXELON shall be the sole owner of all rights.

3.2 FENNE assigns to PIXELON all rights that FENNE may have or acquire and any other rights that he may have or acquire pertaining to Proprietary Information and Inventions.

4. PROPERTY RIGHT REGISTRATIONS

4.1 FENNE shall assist PIXELON or any person designated by it in every proper way (but at PIXELON's expense) to obtain and from time to time to enforce the Rights including registrations and applications for patents, copyrights, or other intellectual property rights in any and all countries.

4.2 Exception to Assignment of Inventions: Any provision in the Agreement requiring FENNE to assign his rights in all inventions shall not apply to an invention that qualifies fully under the provisions of California Labor Code § 2870, the terms of which are set forth on Exhibit "A" to this Agreement.

4.3 FENNE has listed in Exhibit "B" all inventions or improvements relevant to the subject matter or Employment that have been made or conceived of or first reduced to practice by him alone or jointly with others before January 1, 1997 and that are excluded from the operation of this Agreement.

5. REPRESENTATIONS AND WARRANTIES

FENNE warrants and represents that the following statements are true to FENNE's knowledge and belief:

(a) This Assignment is exclusive and made solely to PIXELON. The inventions have not been sold or assigned to any other party, except if notice of other assignment has been given to PIXELON, prior to the execution of this Assignment, specifically describing the other assignment;

6. EFFECT ON HEIRS AND SUCCESSORS

6.1 This Assignment and each of its provisions shall be binding on and shall inure to the benefit of the respective heirs, devisees, legatees, executors, administrators, trustees, successors and assigns of the parties to this Assignment.

7. AMENDMENTS TO ASSIGNMENT

7.1 This Assignment may be amended only by a writing signed by the party against whom or against whose successors and assigns enforcement of the change is sought.

8. EFFECT OF PARTIAL INVALIDITY

8.1 If any term or provision of this Assignment or any application thereof shall be held invalid or unenforceable, the remainder of this Assignment and any application of the terms and provisions shall not be effected thereby, but shall remain valid and enforceable.

9. CONTROLLING LAW

The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of California.

10. ATTORNEY'S FEES

In any action arising from the alleged breach of this Agreement, or to enforce this Agreement, the final prevailing party will recover its reasonable attorneys' fees, costs, expenses, and any injunction prohibiting such wrongful conduct from engaging in said manner, or specifically enforcing the terms of this Agreement, as the case may be. Any litigation concerning this agreement shall be venued in Orange County, California.

11. FAILURE TO OBJECT

The failure of either party to this Agreement to object to or to take affirmative action with respect to any conduct of the other which is in violation of the terms of this Agreement, shall not be construed as a waiver of that conduct or any future breach or subsequent wrongful conduct.

12. VALIDITY OF PROVISIONS

If any part, term or provision of this Agreement is declared and determined by any court or arbitrator to be illegal or invalid, such declaration and determination shall not effect the validity of the remaining parts, terms or provisions. Any illegal or invalid part, term or revision shall be deemed not a part of this Agreement.

13. REPRESENTATION

All parties have been advised and have had an opportunity to consult with legal counsel of their choosing regarding the force and effect of the terms set forth herein. This Agreement shall be deemed to be jointly prepared by the parties and therefore any ambiguity or uncertainty shall be interpreted accordingly.

14. COUNTER-PARTS

This Agreement may be executed in two or more counter-parts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

15. NOTICE

All notices pertaining to this Agreement shall be in writing and shall be transmitted either by personal hand delivery, or through the facilities of the United States Postal Service, certified and return receipt requested.

16. HEADINGS

The various headings in this Agreement are inserted for convenience only and shall not affect this Agreement or any portion thereof.

NOW THEREFORE, for full and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, FENNE hereby assigns, transfers and conveys to PIXELON all of FENNE's right, title, and interest in all Inventions, Proprietary Information and Rights developed during the period January 1, 1997 through the completion of FENNE's relationship with PIXELON, with the exception of those listed in Exhibit "B" and made a part hereof. This Assignment may be executed in multiple counterparts, each of which shall constitute an original, and together shall constitute one and the same agreement.

The parties have executed this Agreement on the dates indicated opposite their signatures.

DATED:

7/14/99

PIXELON, INC.

By: 
Its 

ADAM MICHAEL FENNE

DATED:

7/14/99

By: 
ADAM MICHAEL FENNE

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EXHIBIT 5

PAGE 34

EXHIBIT 5

PAGE 35

EXHIBIT A

CALIFORNIA LABOR CODE SECTION 2870

Section 2870 of the California Labor Code provides as follows:

(a) Any provision in an employment agreement which provides that an employee shall assign or offer to assign any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employee's equipment, suppliers, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employers business or actual or demonstrably anticipated research or development of the employer; or

(2) Result for any work performed by the employee for the employer.

(3) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

EXHIBIT B

EXISTING INVENTIONS AND IMPROVEMENTS

The following is a list of all inventions or improvements relevant to the subject matter of Employment by PIXELON that have been made or conceived of or first reduced to practice by FENNE, alone or jointly with others before Employment by PIXELON:

- 1.
- 2.
- 3.
- 4.

EMPLOYMENT AGREEMENT A.P.

SEVERANCE AGREEMENT

THIS SEVERANCE AGREEMENT (the "Agreement") is made as of this 27th day of December 1999, by and between Pixelon, Inc., a California corporation (the "Company"), and Adam Michael Fenne ("Fenne").

RECITALS:

- A. The Company is primarily engaged in the business of developing and operating an Internet broadcasting network;
- B. Fenne is the founder of the Company and has agreed to resign as an officer, employee and member of the Board of Directors of the Company;
- C. The Company wishes to accept Fenne's resignation; and
- D. As a condition of the Company entering into this Agreement with Fenne and executing a general release in favor of Fenne, Fenne has agreed to restrict his ability to enter into competition with the Company and to execute a general release in favor of the Company.

NOW, THEREFORE, in consideration of the foregoing and the agreements, covenants and conditions set forth herein, Fenne and the Company hereby agree as follows:

ARTICLE I

SEVERANCE BENEFITS

1.1 Purchase of Shares.

1.1.1 Fenne represents, warrants and covenants to the Company that he owns 3,000,000 shares of the Company's common stock free and clear of all liens and encumbrances. For aggregate consideration of six hundred and sixty thousand dollars (\$660,000), the Company shall purchase the following from Fenne: (i) 2,000,000 of the 3,000,000 shares of common stock owned by Fenne; and (ii) any right, title or interest Fenne may have in any capital stock, warrants, options or other securities of the Company other than the 1,000,000 shares of the Company's common stock which Fenne will continue to own after the purchase described in this Section 1.1.1. Such securities shall include, but not limited to, an option to purchase four million one hundred thousand (4,100,000) shares of the Company's common stock and a warrant previously issued to Fenne under which Fenne was entitled to purchase three million (3,000,000) shares of the Company's Common Stock at a price of \$4.50 per share, exercisable once the Company has been a public company for one year and has maintained an average share price of \$15.00 for one year for. Upon

execution of this Agreement Fenne shall deliver to the Company 2,000,000 shares of common stock and cause title to such shares to transfer to the Company. In addition, Fenne shall deliver any documents reflecting ownership in any options or warrants granted to Fenne by the Company.

1.1.2 Fenne acknowledges that he has previously received nine thousand dollars (\$9,000) of the \$660,000 purchase price described in Section 1.1.1, in cash, from the Company, and that the payment for the securities to be purchased pursuant to Section 1.1.1 shall be reduced by this \$9,000. The payments to be made by the Company to Fenne for the purchase of the securities described in Section 1.1.1 above shall be further reduced by fifty seven thousand four hundred and ninety-three dollars (\$57,493), which represents the amount owed by Fenne to the Company for payment of personal expenses, including rent to be paid by the Company on Fenne's apartment for the month of January 2000.

1.1.3 The Company shall make payments totaling \$593,507 to Fenne, representing the \$660,000 consideration for the purchase of Fenne's securities pursuant to Section 1.1.1 above, reduced by the \$9,000 previously paid by the Company to Fenne and the \$57,493 owed by Fenne to the Company for the payment of personal expenses described in Section 1.1.1 above. The Company shall make such payments according to the following schedule:

- (a) Two hundred and sixty-six thousand dollars (\$266,000) on December 27, 1999;
- (b) Fifteen thousand dollars (\$15,000) per month, to be paid on the 15th of each month from January 2000 to September 2001, inclusive;
- (c) Twelve thousand, five hundred and seven dollars (\$12,507) on October 15, 2001.

Provided, however, that the payments described above are expressly conditioned on Fenne's full compliance with the terms of this Agreement. Fenne shall forfeit any right to such payments if he commits any material breach of this Agreement, but the Company shall retain all right, title and interest in the 2,000,000 shares conveyed transferred to the Company pursuant to Section 1.1.1 above notwithstanding Fenne's forfeiture of his right to any or all of such payments.

1.2. Return of Equipment. The Company agrees to return to Fenne certain audio equipment which was maintained in Fenne's office at the Company and which was purchased by Fenne prior to the formation of the Company, including a Neuman microphone and JBL speakers.

1.3. Severance Agreement with David Snyder. The Company shall enter into a severance agreement with David Snyder under which Mr. Snyder receives a severance payment of ten thousand dollars (\$10,000) per month for six months, with payments to begin on November 30, 1999 and to be made semi-monthly and the Company agrees to pay up to fifteen thousand dollars (\$15,000) in verifiable business expenses relating to the Company incurred by Mr. Snyder.

2

EXHIBIT 6
PAGE 39

1.4. Payment. Any severance benefits paid under this Agreement shall be subject to such withholdings and deductions by the Company as are required by law.

ARTICLE II

FENNE'S OBLIGATIONS

2.1. Resignation. Upon execution of this Agreement, the Company accepts Fenne's resignation as a member of the Company's board of directors and as the Chief Technology Officer and an employee of the Company, effective as of December 16, 1999, the date Fenne submitted his resignation to the Company.

2.2. Assignment of Leases. Fenne agrees to accept an assignment from the Company of the leases, including any and all liabilities thereunder, on Fenne's personal residence and the Lincoln Navigator used by Fenne, effective January 1, 2000. Fenne shall, if necessary to effectuate the assignment of such leases and/or the release of the Company from any and all obligations thereunder, grant to the lessors a security interest in Fenne's right to the payments described in Section 1.1.1 above. If the lessor of either such lease will not permit the Company to full assign its rights and obligations under a lease to Fenne, the Company shall deduct the total remaining monetary obligations owed by the Company under the lease or leases which cannot be assigned from the payments to Fenne described in Section 1.1.1 above. Such deductions shall be made from the payments in the order they come due until the total remaining monetary obligations under such lease or leases have been deducted.

2.3. Agreement with Troy Kisky. Fenne will use his best efforts to assist the Company in entering into a consulting agreement with Troy Kisky with a term of three years under which Mr. Kisky provides consulting services with regard to the Pixelon Player in consideration for payment of \$10,000 per month for twenty (20) hours per week of consulting services, and two hundred and fifty dollars (\$250) per hour for services provided in excess of twenty hours per week. Fenne shall also use his reasonable efforts to facilitate communications between Kisky and the Company and to ensure that Kisky fully performs the consulting services pursuant to the consulting agreement.

2.4. Cooperation with Company. For a period of three (3) years from the date of this Agreement, Fenne shall provide his full cooperation to the Company in connection with the development or maintenance of the Company's technology, and shall make himself reasonably available by telephone to respond to inquiries by the Company or its officers, employees or agents relating to such technology, provided, however, that Fenne shall not be obligated to expend more than twenty (20) hours in any one calendar month in responding to such inquiries.

2.5. Prohibited Activities. Fenne acknowledges that upon execution of this Agreement he will not be an employee, representative or agent of the Company for any purpose. Fenne acknowledges that upon execution of this Agreement he will have no authority to engage in, and will

3

EXHIBIT 6
PAGE 40

not attempt to engage in, any activities on behalf of the Company, including but not limited to the following:

- (a) hiring or firing employees or independent contractors, including employees or independent contractors providing temporary services;

In addition, beginning on the date of this Agreement Fenne agrees not to contact, by telephone, e-mail, in person, in writing, or any other means, any employees or directors of the Company other than Brian MacDonald, Bart Moore or Paul Ward, provided, however, that Fenne may communicate with employees or directors of the Company other than Brian MacDonald, Bart Moore or Paul Ward if such communications are not initiated by Fenne.

2.6 Lock-up. In the event that the Company shall make a public offering of the Company's Common Stock, Fenne, on behalf of Fenne and any successor in interest to any shares of the Company's capital stock owned by Fenne, agrees that such shares shall not be sold or otherwise transferred by Fenne or by any successor in interest of Fenne for a period of three hundred and sixty (360) days from the date of the initial closing of such public offering, unless waived by the Company. The certificates for the Shares issuable hereunder shall contain the following restrictive legends:

"These securities have not been registered under the Securities Act of 1933. They may not be sold, offered for sale, pledged or hypothecated in the absence of registration."

opinion of counsel satisfactory to the Company that such registration statement is not required or unless sold pursuant to Rule 144 of such Act.

The shares represented by this certificate shall not be transferable for a period of three hundred and sixty (360) days following the initial closing of an initial public offering of the Company's common stock unless such restriction is waived in writing and delivered to the Company's transfer agent by the Company."

2.7 **Delivery of Communications and Agreements.** Upon execution of this Agreement Fenne shall deliver to the Company any and all e-mail, correspondence or other communications of or pertaining to the Company or any of its officers, directors, employees, or any third parties with which it has done business sent or received by Fenne at any time from January 1, 1997 to November 13, 1999, regardless of the medium upon which it is stored, including, but not limited to, all e-mails sent or received by Fenne at the Company's offices, provided, however, that Fenne shall be obligated to deliver e-mail, correspondence or other communications which are strictly for and which do not relate in any way to the Company, its officers, directors, employees or any parties with which it has done or sought to do business.

2.8 Assignment of Rights to Domain Names and URLs. Fenne hereby assigns to the Company any rights, title and interest he may have in any domain name, Internet address, uniform resource locator, or other name or identifier of any type whatsoever relating to an Internet website or other location on the Internet relating to the Company, including but not limited to "Pixelon.com" and "Pixelon.net," provided, however, that Fenne may retain any rights he has in the domain name "lazaronventures.com."

2.9 **Provision of Information.** Fenne shall provide all information required by the Company to comply with any and all regulatory obligations to which it may be subject. Fenne shall provide the Company with all information required under this Section 2.9 within five (5) days of a request by the Company for such information. However, should Fenne be unable to provide such information, it shall notify the Company in writing within fifteen business days, and the specific action shall not constitute a breach of the agreement.

ARTICLE III *[Signature]*

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

3.1 **Non-Disclosure of Confidential Information.** Fenne hereby acknowledges and agrees that the duties and services to be performed by Fenne under this Agreement are special and unique and that as a result of this prior employment by the Company and by his retention hereunder, Fenne has and will acquire, develop and use information of a special and unique nature and value that is not generally known to the public or to the Company's industry, including but not limited to, certain records, secrets, documentation, software programs, source codes, technological information or innovations (including but not limited to any of the Company's intellectual property, know-how, price lists, ledgers and general information, employee records, mailing lists, customer lists, customer profiles, prospective customer lists, accounts receivable and payable ledgers, financial and other records of the Company or its affiliates, information regarding its customers or principals, and other similar matters (all such information being hereinafter referred to as "Confidential Information"). Fenne further acknowledges and agrees that the Confidential Information is of great value to the Company and its affiliates and that the restrictions and agreements contained in this Agreement are reasonably necessary to protect the Confidential Information and the goodwill of the Company. Accordingly, Fenne hereby agrees that:

3.1.1 Fems will not, at any time, directly or indirectly, except as authorized by the Company for the benefit of the Company, divulge to any person, firm, corporation, limited liability company, or organization, other than the Company (hereinafter referred to as "Third Parties"), or use or cause or authorize any Third Parties to use, the Confidential Information, except as required by law; and

3.1.2 Upon the execution of this Agreement, Fennie shall deliver or cause to be delivered to the Company any and all Confidential Information, including drawings, notebooks, keys, data and other documents and materials belonging to the Company or its affiliates which is in his possession or under his control relating to the Company or its affiliates, or the Business of the Company (as defined herein), regardless of the medium upon

which it is stored, or any other property of the Company or its affiliates which is in his possession or under his control, including, but not limited to, the source code for the Pixelon Player. Fennee recognizes that the unauthorized taking of any of the Company's trade secrets is a crime under Section 499(c) of the California Penal Code, and is punishable by imprisonment in a state prison or in a county jail for a time not exceeding one year, or by a fine not exceeding five thousand dollars (\$5,000), or both such fine and imprisonment. Fennee further recognizes that such unauthorized taking of the Company's trade secrets may also result in civil liability under the Uniform Trade Secrets Act, California Civil Code Section 3426, et seq., and that a willful taking may result in an injunction and an award against Fennee for the Company's attorney's fees and triple the amount of the Company's damages.

3.2 Restrictive Covenants.

3.2.1 Non-Competition Covenant. Fennee acknowledges that the covenants set forth in this Section 3.2 are reasonable in scope and essential to the preservation of the Business of the Company. Fennee also acknowledges that he will be able to remain gainfully employed in such manner and to the extent as to provide a standard of living for himself, the members of his family and the others dependent upon him of at least the level to which he and they have become accustomed and may expect, notwithstanding the enforcement of the covenant set forth in this Section 3.2.1. In addition, Fennee acknowledges that the Company has obtained an advantage over its competitors as a result of its name, location and reputation that is characterized by near permanent relationships with customers, principals and other contacts which it has developed at great expense. Furthermore, Fennee acknowledges that competition by him following the termination of his employment with the Company would impair the operation of the Company beyond that which would arise from the competition of an unrelated third party with similar skills. Fennee hereby agrees that he shall not, for a period of two (2) years from the date of this Agreement, directly or indirectly, engage in or become directly or indirectly interested in any proprietorship, partnership, firm, trust, company, limited liability company or other entity, other than the Company (whether as owner, partner, trustee, beneficiary, stockholder, member, officer, director, employee, independent contractor, agent, servant, consultant, lessor, lessee or otherwise) that competes with the Company in the Business of the Company in the Restricted Territory (as each term is defined herein), other than an interest in a company listed on a recognized stock exchange in an amount which does not exceed five percent (5%) of the outstanding stock of such corporation, except that Fennee may engage in his current business of building an Internet satellite distribution network. For purposes of this Agreement, (i) the term "Business of the Company" shall include all business activities and ventures related to the development or use of technology for the transmission of audio and video content over the Internet, and the broadcasting of audio and video content over the Internet; and (ii) the term "Restricted Territory" means the United States of America and the continent of North America.

3.2.2 Non-Solicitation Covenant. Fennee hereby covenants and agrees that for a period of two (2) years from the date of this Agreement, he shall not (i) solicit for the purpose of developing technology used for the transmission of audio and video content over the Internet or for the broadcasting of audio or video content over the Internet, or endeavor to entice away from the Company any person, firm, corporation, limited liability company or other entity that was a customer of the Company at any time prior to the date of this Agreement or within the two-year period following the date of this Agreement, or (ii) induce, attempt to induce or hire any employee of the Company, other than Troy Kisky, to leave the employ of the Company, or in any way interfere with the relationship between any such employee and the Company.

3.3 Remedies.

3.3.1 Injunctive Relief. Fennee expressly acknowledges and agrees that the Business of the Company is highly competitive and that a violation of any of the provisions of Sections 3.1 or 3.2 would cause immediate and irreparable harm, loss and damage to the Company not adequately compensable by a monetary award. Fennee further acknowledges and agrees that the time periods and territorial areas provided for herein are the minimum necessary to adequately protect the Business of the Company, the enjoyment of the Confidential Information, and the goodwill of the Company. Without limiting any of the other remedies available to the Company at law or in equity, or the Company's right or ability to collect money damages, Fennee agrees that any actual or threatened violation of any of the provisions of Sections 3.1 or 3.2 may be immediately restrained or enjoined by any court of competent jurisdiction, and that a temporary restraining order or emergency, preliminary or final injunction may be issued in any court of competent jurisdiction, upon twenty-four (24) hour notice and without bond. Notwithstanding anything to the contrary contained in this Agreement, the provisions of this Section shall survive the termination of this Agreement.

3.3.2 Enforcement. It is the desire of the parties that the provisions of Sections 3.1 or 3.2 be enforced to the fullest extent permissible under the laws and public policies in each jurisdiction in which enforcement might be sought. Accordingly, if any particular portion of Sections 3.1 or 3.2 shall ever be adjudicated as invalid or unenforceable, or if the application thereof to any party or circumstance shall be adjudicated to be prohibited by or invalidated by such laws or public policies, such section or sections shall be (i) deemed amended to delete therefrom such portions so adjudicated or (ii) modified as determined appropriate by such a court, such deletions or modifications to apply only with respect to the operation of such section or sections in the particular jurisdictions so adjudicated on the parties and under the circumstances as to which so adjudicated.

ARTICLE IV

PROPRIETARY INFORMATION

4.1 **Definitions.** As used in this Agreement, the term "Proprietary Information" means information that has been created, discovered, developed or otherwise become known to the Company (including without limitation information created, discovered, developed or made known by Fenne from the period of January 1, 1997 through the date of this Agreement) and/or in which property rights have been assigned or otherwise conveyed to the Company, which information has commercial value in the Company's Business. By way of illustration, but not limitation, Proprietary Information includes trade secrets, processes, formulas, data and know-how, improvements, inventions, techniques, marketing plans, pricing of products, strategies, forecasts, customer lists and identity of suppliers of research or production services, including development of building blocks.

As used in this Agreement, the term "Inventions" shall mean all improvements, inventions, formulas, processes, techniques, know-how and data, whether or not patentable, made or conceived or reduced to practice or learned by Fenne, either alone or jointly with others, during the period of January 1, 1997 to the date of this Agreement which are related to or useful in the Business of the Company, or result from tasks performed by Fenne for the Company or which result from use of premises owned, leased or contracted for by the Company.

4.2 **Assignment of Rights to Proprietary Information and Inventions.** Subject to Section 4.4 below, all Proprietary Information and Inventions shall be the sole property of the Company and its assigns, and the Company and its assigns shall be the sole owner of all patents and other rights in connection therewith. Fenne hereby assigns to the Company any and all rights, title and interest he may have or acquire in such Proprietary Information and Inventions.

4.3 **Cooperation with Patent Applications.** Fenne agrees to, at the request of the Company, execute any and all applications for letters patent for any Inventions which were invented in whole or in part by Fenne, and for which applications are pending or have been filed on the Company's behalf, or which were invented during the time period of January 1, 1997 to the date of this Agreement and which relate to the Company's Business but for which applications have not been filed, and to execute any and all other papers and documents and do all other and further lawful acts that the Company may deem necessary or desirable to obtain letters patent on the Inventions, to secure the grant of such letters patent and to perfect and vest in the Company the entire right, title and interest in the Inventions, applications and letters patent.

Fenne agrees to execute such documents as the Company may deem necessary or appropriate to add and/or delete named inventor(s) to/from the patent applications which have been filed in the Company's name and which name Fenne as an inventor, in order to reflect the correct ownership and inventors of those patent applications as defined under the applicable laws in the opinion of the Company's patent counsel.

8

EXHIBIT 6
PAGE 45

Fenne's obligation to assist the Company in obtaining and enforcing patents for Inventions in any and all countries is independent of his employment with or ownership in the Company, and shall continue for a period of fifteen (15) years from the date of this Agreement.

4.4 **California Labor Code.** The Company's right with regard to certain things invented or co-invented by Fenne are subject to Sections 2870-2872 of the California Labor Code, under which Fenne has no obligation to assign rights in an invention for which no equipment, supplies, facilities or trade secret information of the Company was used and which was developed entirely on Fenne's own time, and (a) which does not relate (1) to the business of the Company or (2) to the Company's actual or demonstrably anticipated research or development, or (b) which does not result from any work performed by Fenne for the Company.

4.5 **Delivery of Material.** Fenne shall, upon execution of this Agreement, return to the Company any and all tangible items of any nature relating to any intellectual property of the Company, including, but not limited to, any and all copies of code, including source code, for any programs developed, in the process of development or used by the Company or any of its employees or agents since January 1, 1997.

ARTICLE V

RELEASE

5.1 **Release.** The Company and Fenne, for itself or himself, and for its or his heirs, personal or legal representatives, executors, successors and assigns, shareholders, directors, officers, affiliates and agents, hereby releases and forever discharges the other and its or his respective heirs, personal or legal representatives, executors, successors and assigns, shareholders, directors, officers and agents, of and from any further obligation, liability, claim, demand and cause of action of every kind and nature, including but not limited to any claims arising out of Fenne's previous employment with or ownership interest in the Company, which he or it has, had or may have against the other, whether based on statute, common law, rule or regulation, whether in law or in equity, whether liquidated or unliquidated, whether known or unknown, for, upon, or by reason of, any act, cause or thing, whatsoever, on or at any time before the date of this Agreement. Notwithstanding the foregoing, the release granted by the Company in favor of Fenne pursuant to this Section 5.1 is expressly conditioned on Fenne's full compliance with the terms of this Agreement and shall be void ab initio if Fenne breaches this Agreement.

5.2 **Waiver of Code Provisions.** The Company and Fenne hereby acknowledge and agree that it is their intention that this Agreement shall be effective as a full and final accord and satisfaction and settlement of and as a bar to each and every claim, demand, debt, account, reckoning, liability, obligation, cost, expense, lien, action and cause of action, heretofore referred to and released, which either party hereto has, or has had against the other party hereto. In connection with such waiver and relinquishment, the Company and Fenne hereby acknowledge that they are aware that they or their attorney may hereafter discover facts different from or in addition

9

EXHIBIT 6
PAGE 46

to the facts which they or their attorney now know or believe to be true with respect to the subject matter of this Agreement, but that it is their intention to fully, finally, absolutely and forever settle any and all claims, disputes and differences which now exist or heretofore have existed between either party to this Agreement, and that in furtherance of such intention the mutual releases herein given shall be full and complete general mutual releases notwithstanding the discovery of any such different or additional facts. Therefore, each of the parties hereto acknowledges that they have been informed by their respective attorneys and/or advisors of, and that they are familiar with, Section 1542 of the Civil Code of the State of California which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

The Company and Fenne do hereby abandon, release, waive and relinquish all rights and benefits which they may acquire under Section 1542 of the Civil Code of the State of California pertaining to the subject matter of this Agreement.

5.3 Covenant not to Sue. Each of the Company and Fenne hereby agrees not to file, institute or directly or indirectly cause to be filed or instituted any suit, action or proceeding of any kind against the other party or his or its personal or legal representatives, executors, successors and assigns, shareholders, directors, officers or agents based on any obligation, liability, claim, demand or cause of action of any kind or nature, including but not limited to any claims arising out of Fenne's previous employment with or ownership interest in the Company, which he or it has, had or may have against such persons, whether based on statute, common law, rule or regulation, whether in law or in equity, whether liquidated or unliquidated, whether known or unknown, for, upon, or by reason of any matter, cause or thing, whatsoever, on or at any time before the date of this Agreement.

ARTICLE VI

INDEMNIFICATION

6.1 Mutual Indemnification. The Company and Fenne do hereby agree to indemnify, defend and hold harmless the other party, its directors, officers, employees, agents and successors and assigns, from and of any and all actions, causes of action, suits, debts, covenants, controversies, agreements, promises, liabilities, torts, negligence, errors, obligations, fees, damages, judgments, claims, counterclaims, costs and expenses, including reasonable attorneys' fees, suffered or incurred by either party, its directors, officers, employees, agents, and successors and assigns, arising out of or in connection with the Business of the Company prior to the date of this Agreement.

10

EXHIBIT 6
PAGE 47

ARTICLE VII

MISCELLANEOUS

7.1 Notice of Future Financings. The Company shall provide notice to Fenne at least five (5) days before the closing of any future transaction, including a private placement of securities or an initial public offering of the Company's capital stock, in which the Company obtains financing.

7.2 Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given, delivered and received (a) when delivered, if delivered personally, (b) four days after mailing, when sent by registered or certified mail, return receipt requested and postage prepaid, (c) one business day after delivery to a private courier service, when delivered to a private courier service providing documented overnight service, and (d) on the date of delivery if delivered by telecopy, receipt confirmed, provided that a confirmation copy is sent on the next business day by first class mail, postage prepaid, in each case addressed as follows:

To Fenne at his home address.

With a copy to:

Steven Kuhn
28202 Cabot Rd.
Laguna Nigel, California 92677
Ph: (949)364-0600
Fax: (949)364-0606

To Company at:

Pixelon, Inc.
31732 Rancho Viejo Road, Suite D
San Juan Capistrano, California 92675
Attn: Stephanie Kitzes
Ph: (949) 248-4655
Fax: (949) 248-9930

With a copy to:

Shelsky & Froelich Ltd.
444 North Michigan Avenue, Suite 2400
Chicago, IL 60611
Attention: Mark Borrelli
Ph: (312) 836-4014

11

EXHIBIT 6
PAGE 48

Any party may change its address for purposes of this paragraph by giving the other party written notice of the new address in the manner set forth above.

7.3 Entire Agreement; Amendments. Etc. This Agreement contains the entire agreement and understanding of the parties hereto, and supersedes all prior agreements and understandings relating to the subject matter thereof. Except as provided in Sections 3.2.2 and 7.6, no modification, amendment, waiver or alteration of this Agreement or any provision or term hereof shall in any event be effective unless the same shall be in writing, executed by both parties hereto, and any waiver so given shall be effective only in the specific instance and for the specific purpose for which given.

7.4 Benefit. This Agreement shall be binding upon, and inure to the benefit of, and shall be enforceable by, the heirs, successors, legal representatives and permitted assignees of Fenne and the successors, assignees and transferees of the Company. This Agreement or any right or interest hereunder may not be assigned by Fenne without the prior written consent of the Company. Fenne acknowledges that he has obtained independent counsel to represent him in connection with the subject matter of this Agreement, and has not been provided representation by counsel to the Company with respect to the subject matter of this Agreement.

7.5 No Waiver. No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder or pursuant hereto shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or pursuant thereto.

7.6 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law but, if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. If any part of any covenant or other provision in this Agreement is determined by a court of law to be overly broad thereby making the covenant unenforceable, the parties hereto agree, and it is their desire, that the court shall substitute a judicially enforceable limitation in its place, and that as so modified the covenant shall be binding upon the parties as if originally set forth herein.

7.7 Mutual Preparation. The terms of this Agreement are contractual and are the result of negotiation between the parties. In construing this Agreement, or any of its terms, the same shall not be construed against any party because that party or that party's legal representative drafted such provision of the Agreement.

7.8 Compliance and Headings. Time is of the essence of this Agreement. The headings in this Agreement are intended to be for convenience and reference only, and shall not define or limit the scope, extent or intent or otherwise affect the meaning of any portion hereof.

7.9 Governing Law. Except where a provision of California law is specifically cited herein, the parties agree that this Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of Delaware, and the parties agree that any suit, action or proceeding with respect to this Agreement shall be brought in the courts of Orange County in the State of California or in the U.S. District Court for the Central District of California. The parties hereto hereby accept the exclusive jurisdiction of those courts for the purpose of any such suit, action or proceeding. Venue for any such action, in addition to any other venue permitted by statute, will be Orange County, California.

7.10 Arbitration. Except as expressly contemplated by Article III, any dispute arising between the parties pursuant to this Agreement shall be submitted to binding arbitration. Any such arbitration proceeding will be conducted in Orange County, California and except as otherwise provided in this Agreement, will be conducted in accordance with the then current Commercial Arbitration Rules of the American Arbitration Association. One arbitrator shall conduct the proceedings. The arbitrator shall be selected in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect. The arbitrator shall allow such discovery as the arbitrator determines appropriate under the circumstances. The arbitrator shall determine which party, if either, prevailed and shall award the prevailing party its costs and reasonable attorneys fees. The award and decision of the arbitrator shall be conclusive and binding on all parties to this Agreement and judgment on the award may be entered in any court of competent jurisdiction. The parties acknowledge and agree that any arbitration award may be enforced against either or both of them in a court of competent jurisdiction and each waives any right to contest the validity or enforceability of such award. The parties further agree to be bound by the provisions of any statute of limitations which would be applicable in a court of law to the controversy or claim which is the subject of any arbitration proceeding initiated under this Agreement. The parties further agree that they are entitled in any arbitration proceeding to the entry of an order, by a court of competent jurisdiction pursuant to an opinion of the arbitrator, for specific performance of any of the requirements of this Agreement. The parties further agree that the arbitrator shall provide a statement of reasons explaining the basis of the decision rendered.

7.11 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

Pixelon, Inc.
Transaction Detail By Account
July 1 through December 28, 1999

| Type | Date | Num | Name | Class | Dr | Cr | Amount | Balance |
|-----------------------------|----------|------|----------------------|-------|----|----|-----------|------------|
| 9917 - Advances to SF | | | | | | | | |
| Check | 7/1/1999 | 003 | Cash | Adv. | | | 1,305.00 | 1,305.00 |
| Check | 7/1/1999 | 2178 | Blue Cross of Calif. | Adv. | | | 1,810.74 | 3,115.74 |
| Check | 7/1/1999 | 2179 | Blue Cross of Calif. | Adv. | | | 346.00 | 3,461.74 |
| Check | 7/1/1999 | 2180 | Blue Cross of Calif. | Adv. | | | 754.18 | 4,215.92 |
| Check | 7/1/1999 | 2181 | Blue Cross of Calif. | Adv. | | | 405.35 | 4,621.27 |
| Check | 7/1/1999 | 2182 | Blue Cross of Calif. | Adv. | | | 4,111.29 | 8,732.56 |
| Check | 7/1/1999 | 2183 | Blue Cross of Calif. | Adv. | | | 95.31 | 8,827.87 |
| Check | 7/1/1999 | 2184 | Blue Cross of Calif. | Adv. | | | 4,208.56 | 13,036.43 |
| Check | 7/1/1999 | 2185 | Blue Cross of Calif. | Adv. | | | 890.00 | 13,926.43 |
| Check | 7/1/1999 | 2186 | Blue Cross of Calif. | Adv. | | | 7,844.70 | 21,771.13 |
| Check | 7/1/1999 | 2187 | Blue Cross of Calif. | Adv. | | | 1,305.00 | 23,076.13 |
| Check | 7/1/1999 | 2188 | Blue Cross of Calif. | Adv. | | | 750.00 | 23,826.13 |
| Check | 7/1/1999 | 2189 | Blue Cross of Calif. | Adv. | | | 2,900.00 | 26,726.13 |
| Check | 7/1/1999 | 2190 | Blue Cross of Calif. | Adv. | | | 396.00 | 27,122.13 |
| Check | 7/1/1999 | 2191 | Blue Cross of Calif. | Adv. | | | 0.00 | 27,122.13 |
| Check | 7/1/1999 | 2192 | Blue Cross of Calif. | Adv. | | | 750.84 | 27,872.97 |
| Check | 7/1/1999 | 2193 | Blue Cross of Calif. | Adv. | | | 1,800.00 | 29,672.97 |
| Check | 7/1/1999 | 2194 | Blue Cross of Calif. | Adv. | | | 1,810.74 | 31,483.71 |
| Check | 7/1/1999 | 2195 | Blue Cross of Calif. | Adv. | | | 732.02 | 32,215.73 |
| Check | 7/1/1999 | 2196 | Blue Cross of Calif. | Adv. | | | 1,305.00 | 33,520.73 |
| Check | 7/1/1999 | 2197 | Blue Cross of Calif. | Adv. | | | 742.40 | 34,263.13 |
| Check | 7/1/1999 | 2198 | Blue Cross of Calif. | Adv. | | | 752.03 | 35,015.16 |
| Check | 7/1/1999 | 2199 | Blue Cross of Calif. | Adv. | | | 754.73 | 35,769.89 |
| Check | 7/1/1999 | 2200 | Blue Cross of Calif. | Adv. | | | 21,572.31 | 57,342.20 |
| Check | 7/1/1999 | 2201 | Blue Cross of Calif. | Adv. | | | 748.97 | 58,091.17 |
| Check | 7/1/1999 | 2202 | Blue Cross of Calif. | Adv. | | | 754.24 | 58,845.41 |
| Check | 7/1/1999 | 2203 | Blue Cross of Calif. | Adv. | | | 115.00 | 58,960.41 |
| Check | 7/1/1999 | 2204 | Blue Cross of Calif. | Adv. | | | 22,381.55 | 81,341.96 |
| Check | 7/1/1999 | 2205 | Blue Cross of Calif. | Adv. | | | 800.00 | 82,141.96 |
| Check | 7/1/1999 | 2206 | Blue Cross of Calif. | Adv. | | | 22,834.84 | 104,976.80 |
| Check | 7/1/1999 | 2207 | Blue Cross of Calif. | Adv. | | | 742.39 | 105,719.19 |
| Check | 7/1/1999 | 2208 | Blue Cross of Calif. | Adv. | | | 794.08 | 106,513.27 |
| Check | 7/1/1999 | 2209 | Blue Cross of Calif. | Adv. | | | 1,000.00 | 107,513.27 |
| Check | 7/1/1999 | 2210 | Blue Cross of Calif. | Adv. | | | 1,305.00 | 108,818.27 |
| Check | 7/1/1999 | 2211 | Blue Cross of Calif. | Adv. | | | 750.00 | 109,568.27 |
| Check | 7/1/1999 | 2212 | Blue Cross of Calif. | Adv. | | | 733.17 | 110,301.44 |
| Check | 7/1/1999 | 2213 | Blue Cross of Calif. | Adv. | | | 750.00 | 111,051.44 |
| Check | 7/1/1999 | 2214 | Blue Cross of Calif. | Adv. | | | 636.80 | 111,688.24 |
| Total 9917 - Advances to SF | | | | | | | 29,808.71 | 29,808.71 |
| TOTAL | | | | | | | 29,808.71 | 29,808.71 |

27/66
6/30/99 July 29, 27
57,413

7.12 Recitals. The Recitals set forth above are hereby incorporated in and made a part of this Agreement by this reference.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered as of the day and year first above written.

PIXELON, INC., a California corporation

By: B. B. W. W., CFO

Adam Michael Fenne
ADAM MICHAEL FENNE

FORM

PIXELON, INC.

CONFIDENTIALITY AND TRADE SECRET AGREEMENT

The parties to this Confidentiality and Trade Secret Agreement ("Agreement") are Pixelon, Inc. ("Pixelon") and Michael Fenne ("Employee").

Whereas, Employee is employed by Pixelon and Pixelon will be revealing Confidential Information and Trade Secrets to Employee; and

Whereas, Pixelon and Employee wish to protect such Confidential Information and Trade Secrets and acknowledge that Pixelon would be substantially harmed by competitors knowing its Confidential Information and Trade Secrets;

Therefore, for good and valuable consideration, which the parties agree and warrant is sufficient to support enforcement of this Agreement, Pixelon and Employee hereby agree as follows:

1. In reliance upon this Agreement, Pixelon (acting as a "Disclosing Party") may disclose to Employee (acting as a "Receiving Party") Confidential Information of the Disclosing Party. Receiving Party hereby acknowledges and agrees that certain items of information currently in Receiving Party's possession, or later to come into Receiving Party's possession, presently constitute, or shall constitute in the future, valuable Trade Secrets or proprietary business information of Disclosing Party. Such items of information, which are herein collectively referred to as the "Confidential Information," shall include but are not limited to the following:

- (i) Product formulae, customer requirements, and all other technical data used or useful in Disclosing Party's business or related to any research and development activities carried on by Disclosing Party.
- (ii) All customer lists, accounting, costs, sales, and other information relating to Disclosing Party's business.
- (iii) All other information of any type or description whatsoever which is protected by law as a Trade Secret or as proprietary information of Disclosing Party, or which has been designated to Receiving Party either orally or in writing as a Trade Secret or proprietary information of Disclosing Party. For purposes of the foregoing sentence, "Trade Secret" shall include, without limitation, any formula, device, or compilation of information not generally known in the industry which Disclosing Party uses in its business and which gives Disclosing Party an opportunity to obtain an advantage over competitors who do not know it.

EXHIBIT 7
PAGE 54

(iv)

All Confidential Information (as herein defined) of all customers, contractors, and others with whom Disclosing Party had, has or will have a business relationship learned or acquired by Receiving Party during the course of or as a result of Receiving Party's contractual relationship with Disclosing Party.

All of the foregoing information shall be deemed "Confidential Information" until such time as it becomes generally known in the industry by means other than improper disclosures or other improper action or inaction made by Receiving Party.

2. Receiving Party shall not, directly or indirectly, either during the term of its relationship with Disclosing Party or thereafter, disclose or use the Confidential Information other than in the business of or as directed by, Disclosing Party without the prior written consent of Disclosing Party.

3. Receiving Party shall not, directly or indirectly, either during the term of its relationship with Disclosing Party or thereafter, take, copy, or remove any of the Confidential Information from Disclosing Party's premises, whether in the form of manuals, printed sheets, reproductions, personal notes, or otherwise, without the prior written consent of Disclosing Party.

4. Receiving Party shall at all times and forever safeguard and protect all of the Confidential Information of Disclosing Party to prevent its being exposed to, or taken by, unauthorized persons, and when entrusted to Receiving Party will exercise its best efforts to assure its safekeeping.

5. Upon request of a Disclosing Party, Receiving Party will deliver to Disclosing Party, within three (3) days of receiving such request, all Confidential Information which is in the possession or control of the Receiving Party.

6. In any action at law or in equity to enforce or construe any of the provisions or rights under this Agreement, the unsuccessful party or parties to such litigation, as determined by the courts in a final judgment or decree, shall pay the successful party or parties all costs, expenses, and attorneys' fees incurred therein by such successful party or parties (including without limitation such costs, expenses, and fees on any appeals), and if such successful party or parties shall recover judgment in any such action or proceeding, such costs, expenses, and attorneys' fees shall be included in as part of such judgment. Any litigation concerning this Agreement shall be venued in Orange County, California.

7. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force without being impaired or invalidated in any way.

2

EXHIBIT 7
PAGE 55

8. The provisions of this Agreement shall inure to the benefit of and are binding on Receiving Party's heirs, personal representatives, successors, and assigns, and the successors and assigns of Disclosing Party.

9. This Agreement and any question concerning its validity, construction, or performance shall be governed by the laws of the State of California, irrespective of the place of execution or the place or places of performance.

10. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, partner, employee or representative of any party hereto.

11. This Agreement may be executed in two or more counter-parts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

Pixelon, Inc.

By: Paul Ward
Chief Executive Officer

Employee

By: Michael Feys

By:

Dated: 12/16/99

Dated:

63010118EMPLOYERNOA\unform 001

3

EXHIBIT 7
PAGE 56

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA, COUNTY OF ORANGE:

I am employed in the county of Orange, State of California. I am over the age of 18 and not a party to the within action; my office address is 3 Civic Plaza, Suite 280, Newport Beach, CA 92660.

On August 21, 2000, I served the within document described as: DEBTOR'S REPLY TO DAVID KIM STANLEY AKA ADAM MICHAEL FENNE, DAVID SNYDER, AND SHELIA ROBERTSON'S OBJECTION TO MOTION FOR AUTHORITY TO OBTAIN SECURED FINANCING on parties in interest in said action, via first class mail by placing copies thereof enclosed in sealed envelopes addressed as follows:

| | |
|--|--|
| Office of the U.S. Trustee Nancy Shapiro, Esq. 411 West Fourth Street, Suite 9041 Santa Ana, CA 92701-8000 | Pixelon Corporation Attn: Peter H. Foley 31732 Rancho Viejo Rd., Suite D San Juan Capistrano, CA 92675 |
| Ronald D. Halpern 30011 Ivy Glen Drive, Suite 112 Laguna Niguel, CA 92677 | Robert Peterson 8420 Wilshire Blvd., 20 th Fl Los Angeles, CA 90048 |
| Committee Member Locolabs Attn: Bradley W. Hoffert 111 W. Saint John St., Ste. 1250 San Jose, CA 95113 | Robert G. Johnson 30131 Town Center Drive, Suite 147 Laguna Niguel, CA 92677 |
| Committee Member Interactive Agency, Inc. Attn: Sharon Boyajian 2701 Ocean Park Blvd., Ste. 201 Santa Monica, CA 90405 | Committee Member Gravity Television & Sports Marketing Attn: Kevin P. O'Rourke 79 E. Putnam Ave. Greenwich, CT 06830 |

I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Newport Beach, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I am employed in the office of a member of the Bar of the Central District of California at whose direction this service was made.

Executed this 21 day of August, 2000, at Newport Beach, California.

Kevin P. O'Rourke

-18-

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